

House File 2489

H-8477

1 Amend the amendment, H-8476, to House File 2489 as follows:

2 1. By striking page 1, line 1, through page 149, line 20,  
3 and inserting:

4 <Amend House File 2489 as follows:

5 1. By striking everything after the enacting clause and  
6 inserting:

7 <DIVISION I

8 INTEREST ACCRUAL ON CERTAIN TAX REFUNDS

9 Section 1. Section 15.335, subsection 8, Code 2018, is  
10 amended to read as follows:

11 8. Any credit in excess of the tax liability for the  
12 taxable year shall be refunded with interest ~~computed under~~  
13 section 422.25 in accordance with section 421.60, subsection  
14 2, paragraph "e". In lieu of claiming a refund, a taxpayer may  
15 elect to have the overpayment shown on its final, completed  
16 return credited to the tax liability for the following year.

17 Sec. 2. NEW SECTION. 421.6 Definition of return.

18 For purposes of this title, unless the context otherwise  
19 requires, "return" means any tax or information return,  
20 amended return, declaration of estimated tax, or claim for  
21 refund that is required by, provided for, or permitted under,  
22 the provisions of this title and which is filed with the  
23 department by, on behalf of, or with respect to any person.  
24 "Return" includes any amendment or supplement to these items,  
25 including supporting schedules, attachments, or lists which are  
26 supplemental to or part of the filed return.

27 Sec. 3. Section 421.60, subsection 2, paragraph e, Code  
28 2018, is amended to read as follows:

29 e. ~~Unless otherwise provided by law, all~~ All Iowa taxes  
30 which are administered by the department and which result in  
31 a refund shall accrue interest at the rate in effect under  
32 section 421.7 from the first day of the second calendar month  
33 following the date of payment or the date the return upon  
34 which the refund is claimed was due to be filed, including any  
35 extensions, or was filed, whichever is the latest.

1     Sec. 4. Section 422.10, subsection 4, Code 2018, is amended  
2 to read as follows:

3     4. Any credit in excess of the tax liability imposed by  
4 section 422.5 less the amounts of nonrefundable credits allowed  
5 under [this division](#) for the taxable year shall be refunded  
6 with interest ~~computed under [section 422.25](#)~~ in accordance  
7 with section 421.60, subsection 2, paragraph "e". In lieu of  
8 claiming a refund, a taxpayer may elect to have the overpayment  
9 shown on the taxpayer's final, completed return credited to the  
10 tax liability for the following taxable year.

11    Sec. 5. Section 422.16, subsection 9, Code 2018, is amended  
12 to read as follows:

13    9. The amount of any overpayment of the individual income  
14 tax liability of the employee taxpayer, nonresident, or other  
15 person which may result from the withholding and payment of  
16 withheld tax by the employer or withholding agent to the  
17 department under [subsections 1 and 12](#), as compared to the  
18 individual income tax liability of the employee taxpayer,  
19 nonresident, or other person properly and correctly determined  
20 under the provisions of [section 422.4](#), to and including section  
21 422.25, may be credited against any income tax or installment  
22 thereof then due the state of Iowa and any balance of one  
23 dollar or more shall be refunded to the employee taxpayer,  
24 nonresident, or other person with interest ~~at the rate in~~  
25 ~~effect under [section 421.7](#)~~ for each month or fraction of a  
26 month, the interest to begin to accrue on the first day of  
27 the second calendar month following the date the return was  
28 due to be filed or was filed, whichever is the later date  
29 in accordance with section 421.60, subsection 2, paragraph  
30 "e". Amounts less than one dollar shall be refunded to the  
31 taxpayer, nonresident, or other person only upon written  
32 application, in accordance with [section 422.73](#), and only if  
33 the application is filed within twelve months after the due  
34 date of the return. Refunds in the amount of one dollar  
35 or more provided for by [this subsection](#) shall be paid by

1 the treasurer of state by warrants drawn by the director of  
2 the department of administrative services, or an authorized  
3 employee of the department, and the taxpayer's return of  
4 income shall constitute a claim for refund for this purpose,  
5 except in respect to amounts of less than one dollar. There  
6 is appropriated, out of any funds in the state treasury not  
7 otherwise appropriated, a sum sufficient to carry out the  
8 provisions of [this subsection](#).

9 Sec. 6. Section 422.25, subsection 3, Code 2018, is amended  
10 to read as follows:

11 3. a. If the amount of the tax as determined by the  
12 department is less than the amount paid, the excess shall be  
13 refunded with interest, ~~the interest to begin to accrue on the~~  
14 ~~first day of the second calendar month following the date of~~  
15 ~~payment or the date the return was due to be filed, or the~~  
16 ~~extended due date by which the return was due to be filed if~~  
17 ~~ninety percent of the tax was paid by the original due date,~~  
18 ~~or was filed, whichever is the latest, at the rate in effect~~  
19 ~~under [section 421.7](#) counting each fraction of a month as an~~  
20 ~~entire month under the rules prescribed by the director. If~~  
21 ~~an overpayment of tax results from a net operating loss or~~  
22 ~~net capital loss which is carried back to a prior year, the~~  
23 ~~overpayment, for purposes of computing interest on refunds,~~  
24 ~~shall be considered as having been made on the date a claim~~  
25 ~~for refund or amended return carrying back the net operating~~  
26 ~~loss or net capital loss is filed with the department or on the~~  
27 ~~first day of the second calendar month following the date of~~  
28 ~~the actual payment of the tax, whichever is later. However, in~~  
29 accordance with section 421.60, subsection 2, paragraph "e".

30 b. Notwithstanding section 421.60, subsection 2, paragraph  
31 "e", and paragraph "a" of this subsection, when the net  
32 operating loss or net capital loss carryback to a prior year  
33 eliminates or reduces an underpayment of tax due for an earlier  
34 year, the full amount of the underpayment of tax shall bear  
35 interest at the rate in effect under [section 421.7](#) for each

1 month counting each fraction of a month as an entire month from  
2 the due date of the tax for the earlier year to the last day of  
3 the taxable year in which the net operating loss or net capital  
4 loss occurred.

5 Sec. 7. Section 422.28, Code 2018, is amended to read as  
6 follows:

7 **422.28 Revision of tax.**

8 A taxpayer may appeal to the director for revision of  
9 the tax, interest, or penalties assessed at any time within  
10 sixty days from the date of the notice of the assessment of  
11 tax, additional tax, interest, or penalties. The director  
12 shall grant a hearing and if, upon the hearing, the director  
13 determines that the tax, interest, or penalties are excessive  
14 or incorrect, the director shall revise them according to  
15 the law and the facts and adjust the computation of the tax,  
16 interest, or penalties accordingly. The director shall notify  
17 the taxpayer by mail of the result of the hearing and shall  
18 refund to the taxpayer the amount, if any, paid in excess of  
19 the tax, interest, or penalties found by the director to be  
20 due, with interest accruing ~~from the first day of the second~~  
21 ~~calendar month following the date of payment by the taxpayer~~  
22 ~~at the rate in effect under [section 421.7](#) for each month~~  
23 ~~or fraction of a month in accordance with [section 421.60,](#)~~  
24 ~~[subsection 2, paragraph "e".](#)~~

25 Sec. 8. Section 422.33, subsection 5, paragraph f, Code  
26 2018, is amended to read as follows:

27 *f.* Any credit in excess of the tax liability for the  
28 taxable year shall be refunded with interest ~~computed under~~  
29 ~~[section 422.25](#) in accordance with [section 421.60, subsection](#)~~  
30 ~~[2, paragraph "e".](#)~~ In lieu of claiming a refund, a taxpayer may  
31 elect to have the overpayment shown on its final, completed  
32 return credited to the tax liability for the following taxable  
33 year.

34 Sec. 9. Section 422.33, subsection 9, paragraph a, Code  
35 2018, is amended to read as follows:

1 a. The taxes imposed under this division shall be reduced by  
2 an assistive device tax credit. A small business purchasing,  
3 renting, or modifying an assistive device or making workplace  
4 modifications for an individual with a disability who is  
5 employed or will be employed by the small business is eligible,  
6 subject to availability of credits, to receive this assistive  
7 device tax credit which is equal to fifty percent of the  
8 first five thousand dollars paid during the tax year for the  
9 purchase, rental, or modification of the assistive device  
10 or for making the workplace modifications. Any credit in  
11 excess of the tax liability shall be refunded with interest  
12 ~~computed under section 422.25 in accordance with section~~  
13 421.60, subsection 2, paragraph "e". In lieu of claiming a  
14 refund, a taxpayer may elect to have the overpayment shown on  
15 the taxpayer's final, completed return credited to the tax  
16 liability for the following tax year. If the small business  
17 elects to take the assistive device tax credit, the small  
18 business shall not deduct for Iowa tax purposes any amount of  
19 the cost of an assistive device or workplace modifications  
20 which is deductible for federal income tax purposes.

21 Sec. 10. Section 422.91, Code 2018, is amended to read as  
22 follows:

23 **422.91 Credit for estimated tax.**

24 1. Any amount of estimated tax paid is a credit against  
25 the amount of tax due on a final, completed return, and any  
26 overpayment of five dollars or more shall be refunded to the  
27 taxpayer with interest, ~~the interest to begin to accrue on~~  
28 ~~the first day of the second calendar month following the date~~  
29 ~~of payment or the date the return was due to be filed or was~~  
30 ~~filed, whichever is the latest, at the rate established under~~  
31 section 421.7 in accordance with section 421.60, subsection 2,  
32 paragraph "e", and the return constitutes a claim for refund for  
33 this purpose. Amounts less than five dollars shall be refunded  
34 to the taxpayer only upon written application in accordance  
35 with section 422.73, and only if the application is filed

1 within twelve months after the due date for the return.

2 2. In lieu of claiming a refund, the taxpayer may elect  
3 to have the overpayment shown on its final, completed return  
4 for the taxable year credited to the tax liability for the  
5 following taxable year.

6 Sec. 11. Section 423.4, subsection 1, paragraph c, Code  
7 2018, is amended to read as follows:

8 c. Refunds authorized under this subsection shall accrue  
9 interest ~~at the rate in effect under section 421.7~~ from the  
10 ~~first day of the second calendar month following the date the~~  
11 ~~refund claim is received by the department~~ in accordance with  
12 section 421.60, subsection 2, paragraph "e".

13 Sec. 12. Section 423.4, subsection 6, paragraph c,  
14 subparagraph (2), Code 2018, is amended to read as follows:

15 (2) Refunds authorized under this subsection shall accrue  
16 interest ~~at the rate in effect under section 421.7~~ from the  
17 ~~first day of the second calendar month following the date the~~  
18 ~~refund claim is received by the department~~ in accordance with  
19 section 421.60, subsection 2, paragraph "e".

20 Sec. 13. Section 450.94, subsection 3, Code 2018, is amended  
21 to read as follows:

22 3. If the amount paid is greater than the correct tax,  
23 penalty, and interest due, the department shall refund the  
24 excess with interest. ~~Interest shall be computed at the rate~~  
25 ~~in effect under section 421.7, under the rules prescribed by~~  
26 ~~the director counting each fraction of a month as an entire~~  
27 ~~month and the interest shall begin to accrue on the first day~~  
28 ~~of the second calendar month following the date of payment~~  
29 ~~or on the date the return was due to be filed or was filed,~~  
30 ~~whichever is the latest~~ in accordance with section 421.60,  
31 subsection 2, paragraph "e". However, the director shall  
32 not allow a claim for refund or credit that has not been  
33 filed with the department within three years after the tax  
34 payment upon which a refund or credit is claimed became due,  
35 or one year after the tax payment was made, whichever time is

1 later. A determination by the department of the amount of  
2 tax, penalty, and interest due, or the amount of refund for  
3 excess tax paid, is final unless the person aggrieved by the  
4 determination appeals to the director for a revision of the  
5 determination within sixty days from the date of the notice  
6 of determination of tax, penalty, and interest due or refund  
7 owing or unless the taxpayer contests the determination by  
8 paying the tax, interest, and penalty and timely filing a claim  
9 for refund. The director shall grant a hearing, and upon the  
10 hearing the director shall determine the correct tax, penalty,  
11 and interest or refund due, and notify the appellant of the  
12 decision by mail. The decision of the director is final unless  
13 the appellant seeks judicial review of the director's decision  
14 under [section 450.59](#) within sixty days after the date of the  
15 notice of the director's decision.

16 Sec. 14. Section 452A.65, subsection 1, Code 2018, is  
17 amended to read as follows:

18 1. In addition to the tax or additional tax, the taxpayer  
19 shall pay a penalty as provided in [section 421.27](#). The  
20 taxpayer shall also pay interest on the tax or additional  
21 tax at the rate in effect under [section 421.7](#) counting each  
22 fraction of a month as an entire month, computed from the date  
23 the return was required to be filed. If the amount of the tax  
24 as determined by the appropriate state agency is less than the  
25 amount paid, the excess shall be refunded with interest, ~~the~~  
26 ~~interest to begin to accrue on the first day of the second~~  
27 ~~calendar month following the date of payment or the date the~~  
28 ~~return was due to be filed or was filed, whichever is the~~  
29 ~~latest, at the rate in effect under [section 421.7](#) counting~~  
30 ~~each fraction of a month as an entire month under the rules~~  
31 ~~prescribed by the appropriate state agency in accordance with~~  
32 [section 421.60](#), subsection 2, paragraph "e". Claims for  
33 refund filed under [sections 452A.17](#) and [452A.21](#) shall accrue  
34 interest beginning with the first day of the second calendar  
35 month following the date the refund claim is received by the

1 department.

2 Sec. 15. EFFECTIVE DATE. This division of this Act, being  
3 deemed of immediate importance, takes effect upon enactment.

4 Sec. 16. RETROACTIVE APPLICABILITY. This division of this  
5 Act applies retroactively to January 1, 2018, for tax years  
6 beginning on or after that date, and for refunds issued on or  
7 after that date.

8 DIVISION II

9 TAX PENALTIES

10 Sec. 17. Section 421.27, subsection 6, Code 2018, is amended  
11 to read as follows:

12 6. *Improper receipt of refund or credit payments.* A person  
13 who makes an erroneous application for refund, ~~or credit,~~  
14 reimbursement, rebate, or other payment shall be liable for any  
15 overpayment received or tax liability reduced plus interest  
16 at the rate in effect under [section 421.7](#). In addition, a  
17 person who willfully makes a false or frivolous application  
18 for refund, ~~or credit, reimbursement, rebate, or other payment~~  
19 with intent to evade tax or with intent to receive a refund,  
20 ~~or credit, reimbursement, rebate, or other payment~~ to which  
21 the person is not entitled is guilty of a fraudulent practice  
22 and is liable for a penalty equal to seventy-five percent of  
23 the refund, ~~or credit, reimbursement, rebate, or other payment~~  
24 being claimed. Payments, penalties, and interest due under  
25 this subsection may be collected and enforced in the same  
26 manner as the tax imposed.

27 Sec. 18. Section 425.29, Code 2018, is amended to read as  
28 follows:

29 **425.29 False claim — penalty.**

30 A person who makes a false affidavit for the purpose  
31 of obtaining credit or reimbursement provided for in this  
32 division or who knowingly receives the credit or reimbursement  
33 without being legally entitled to it or makes claim for the  
34 credit or reimbursement in more than one county in the state  
35 without being legally entitled to it is guilty of a fraudulent

1 practice. The claim for credit or reimbursement shall be  
2 disallowed in full and if the claim has been paid the amount  
3 shall be recovered in the manner provided in [section 425.27](#).  
4 The department of revenue may impose penalties under section  
5 421.27. The department of revenue shall send a notice of  
6 disallowance of the claim.

7 Sec. 19. LEGISLATIVE INTENT. It is the intent of the  
8 general assembly that the provisions of this division of this  
9 Act are conforming amendments consistent with current state  
10 law, and that the amendments do not change the application of  
11 current law but instead reflect current law both before and  
12 after the enactment of this division of this Act.

13 Sec. 20. EFFECTIVE DATE. This division of this Act, being  
14 deemed of immediate importance, takes effect upon enactment.

15 DIVISION III

16 MISCELLANEOUS TAX PROVISIONS

17 Sec. 21. Section 34A.7B, subsection 13, Code 2018, is  
18 amended to read as follows:

19 13. The department shall transfer all ~~remitted~~ reported  
20 prepaid wireless 911 surcharges to the treasurer of state  
21 for deposit in the 911 emergency communications fund created  
22 under [section 34A.7A, subsection 2](#), within thirty days of  
23 receipt after deducting an amount, not to exceed two percent of  
24 collected surcharges, that shall be retained by the department  
25 to reimburse its direct costs of administering the collection  
26 and remittance of prepaid wireless 911 surcharges.

27 Sec. 22. Section 421.17, subsection 2, paragraph d, Code  
28 2018, is amended to read as follows:

29 *d.* To facilitate uniformity and equalization of  
30 assessments throughout the state of Iowa and to facilitate  
31 transfers of funds to local governments, the director may  
32 use geographic information system technology and may require  
33 assessing authorities and local governments that have adopted  
34 compatible technology to provide information to the department  
35 electronically using electronic geographic information

1 system file formats. The department of revenue shall act on  
2 behalf of political subdivisions and the state to deliver a  
3 consolidated response to the boundary and annexation survey  
4 and provide legal boundary geography data to the United States  
5 census bureau. The department shall coordinate with political  
6 subdivisions and the state to ensure that consistent, accurate,  
7 and integrated geography is provided to the United States  
8 census bureau. The office of the chief information officer  
9 shall provide geographic information system and technical  
10 support to the department to facilitate the exchange.

11 Sec. 23. Section 421.19, Code 2018, is amended to read as  
12 follows:

13 **421.19 Counsel.**

14 1. It shall be the duty of the attorney general and of  
15 the county attorneys in their respective counties to commence  
16 and prosecute actions, prosecutions, and complaints, when  
17 so directed by the director of revenue and to represent the  
18 director in any litigation arising from the discharge of the  
19 director's duties.

20 2. If the department has information that indicates a  
21 taxpayer intentionally filed a false claim, affidavit, return,  
22 or other information with intent to evade tax or to obtain  
23 a refund, credit, or other benefit from the department, the  
24 department may notify federal, state, or local law enforcement  
25 and may disclose state returns, state return information,  
26 state investigative or audit information, or any other state  
27 information to such law enforcement, notwithstanding sections  
28 422.20 and 422.72.

29 3. Notwithstanding sections 422.20 and 422.72, the  
30 department may disclose state returns, state return  
31 information, state investigative or audit information, or any  
32 other state information under this section.

33 Sec. 24. NEW SECTION. **421.71 Class actions — implied right**  
34 **of action — private cause of action immunity.**

35 **1. Class actions prohibited.** No class action may be brought

1 against the department, a taxpayer, or a person required to  
2 collect any tax imposed under this title, in any court, agency,  
3 or other adjudicative body, or in any other forum, based on  
4 any act or omission arising from or related to any provision  
5 of this title.

6     2. *No implied right of action.* Nothing in this title shall  
7 be construed as creating or providing an implied private right  
8 of action or any private common law claim against any taxpayer,  
9 or against any person required to collect any tax imposed under  
10 this title, in any court, agency, or other adjudicative body,  
11 or in any other forum. This subsection shall not apply to or  
12 otherwise limit any claim, action, mandate, power, remedy, or  
13 discretion of the department, or an agent or designee of the  
14 department.

15     3. *Private cause of action immunity for overpayment of*  
16 *certain taxes.*

17     a. A taxpayer, or any person required to collect taxes  
18 imposed under chapters 423, 423A, 423B, 423C, and 423D, and  
19 chapter 423G, as enacted in 2018 Iowa Acts, Senate File 512,  
20 shall be immune from any private cause of action arising from  
21 or related to the overpayment of taxes imposed under chapters  
22 423, 423A, 423B, 423C, and 423D, and chapter 423G, as enacted  
23 in 2018 Iowa Acts, Senate File 512, that are collected and  
24 remitted to the department.

25     b. Nothing in this subsection shall apply to or otherwise  
26 limit any of the following:

27         (1) Any claim, action, mandate, power, remedy, or  
28 discretion of the department, or an agent or designee of the  
29 department.

30         (2) A taxpayer's right to seek a refund from the department  
31 related to taxes imposed under chapters 423, 423A, 423B,  
32 423C, and 423D, and chapter 423G, as enacted in 2018 Iowa  
33 Acts, Senate File 512, that are collected from or paid by the  
34 taxpayer.

35     Sec. 25. Section 423G.5, subsection 1, as enacted by 2018

1 Iowa Acts, Senate File 512, section 15, is amended to read as  
2 follows:

3 1. The director of revenue shall administer the water  
4 service tax as nearly as possible in conjunction with the  
5 administration of the state sales and use tax law, except that  
6 portion of the law that implements the streamlined sales and  
7 use tax agreement. The director shall provide appropriate  
8 forms, or provide on the regular state tax forms, for reporting  
9 water service tax liability, and for ease of administration may  
10 require water service tax liability to be identified, reported,  
11 and remitted to the department as sales and use tax liability,  
12 provided the department has the ability to properly identify  
13 such amounts as water service tax revenues upon receipt.

14 Sec. 26. Section 423G.6, subsection 2, paragraphs a, b, and  
15 c, as enacted by 2018 Iowa Acts, Senate File 512, section 16,  
16 are amended to read as follows:

17 a. For revenues ~~collected~~ reported on or after July 1, 2018,  
18 but before August 1, 2019, one-twelfth of the revenues to the  
19 water quality infrastructure fund created in section 8.57B,  
20 and one-twelfth of the revenues to the water quality financial  
21 assistance fund created in section 16.134A.

22 b. For revenues ~~collected~~ reported on or after August 1,  
23 2019, but before August 1, 2020, one-sixth of the revenues to  
24 the water quality infrastructure fund created in section 8.57B,  
25 and one-sixth of the revenues to the water quality financial  
26 assistance fund created in section 16.134A.

27 c. For revenues ~~collected~~ reported on or after August 1,  
28 2020, one-half of the revenues to the water quality financial  
29 assistance fund created in section 16.134A.

30 Sec. 27. IOWA ELECTION CAMPAIGN FUND TAX CHECKOFF AND  
31 CONTRIBUTIONS — CREDIT TO GENERAL FUND. Notwithstanding  
32 section 68A.601 or 422.12J, or any other provision of law to  
33 the contrary, any amount of contribution to the Iowa election  
34 campaign fund in section 68A.602 designated on an individual  
35 income tax return for any tax year and filed on or after

1 January 1, 2018, is void and shall be disregarded, and such  
2 contribution amount shall be credited to the general fund and  
3 not to the Iowa election campaign fund.

4 Sec. 28. EFFECTIVE DATE. The following, being deemed of  
5 immediate importance, take effect upon enactment:

6 1. The section of this division of this Act relating to the  
7 Iowa election campaign fund tax checkoff and contributions.

8 2. The section of this division of this Act enacting section  
9 421.71.

10 Sec. 29. RETROACTIVE APPLICABILITY. The following applies  
11 retroactively to January 1, 2018, for individual income tax  
12 returns filed on or after that date:

13 The section of this division of this Act relating to the Iowa  
14 election campaign fund tax checkoff and contributions.

15 DIVISION IV

16 TAX CREDITS

17 Sec. 30. Section 15E.52, subsection 8, Code 2018, is amended  
18 to read as follows:

19 8. The board shall not certify an innovation fund after June  
20 30, ~~2018~~ 2023.

21 Sec. 31. Section 403.19A, subsection 3, paragraph c,  
22 subparagraph (2), Code 2018, is amended to read as follows:

23 (2) The pilot project city and the economic development  
24 authority shall not enter into a withholding agreement after  
25 June 30, ~~2018~~ 2019.

26 Sec. 32. Section 422.10, subsection 1, Code 2018, is amended  
27 by adding the following new paragraph:

28 NEW PARAGRAPH. *0a.* An individual shall only be eligible for  
29 the credit provided in this section if the business conducting  
30 the research meets all of the following requirements:

31 (1) (a) The business is engaged in the manufacturing,  
32 life sciences, software engineering, or aviation and aerospace  
33 industry.

34 (b) Persons that shall not be considered to be engaged in  
35 the manufacturing, life sciences, software engineering, or

1 aviation and aerospace industry, and thus are not eligible  
2 for the credit, include but are not limited to all of the  
3 following:

4 (i) A person engaged in agricultural production as defined  
5 in section 423.1.

6 (ii) A person who is a contractor, subcontractor, builder,  
7 or a contractor-retailer that engages in commercial and  
8 residential repair and installation, including but not limited  
9 to heating or cooling installation and repair, plumbing and  
10 pipe fitting, security system installation, and electrical  
11 installation and repair. For purposes of this subparagraph  
12 subdivision, "contractor-retailer" means a business that makes  
13 frequent retail sales to the public or to other contractors and  
14 that also engages in the performance of construction contracts.

15 (iii) A finance or investment company.

16 (iv) A retailer.

17 (v) A wholesaler.

18 (vi) A transportation company.

19 (vii) A publisher.

20 (viii) An agricultural cooperative association as defined  
21 in section 502.102.

22 (ix) A real estate company.

23 (x) A collection agency.

24 (xi) An accountant.

25 (xii) An architect.

26 (2) The business claims and is allowed a research credit  
27 for such qualified research expenses under section 41 of the  
28 Internal Revenue Code for the same taxable year as it is  
29 claiming the credit provided in this section.

30 Sec. 33. Section 422.10, subsection 3, Code 2018, is amended  
31 by adding the following new paragraph:

32 NEW PARAGRAPH. *0a.* For purposes of this section, "base  
33 amount" means the product of the fixed-based percentage times  
34 the average annual gross receipts of the taxpayer for the four  
35 taxable years preceding the taxable year for which the credit

1 is being determined, but in no event shall the base amount be  
2 less than fifty percent of the qualified research expenses for  
3 the credit year.

4 Sec. 34. Section 422.10, subsection 3, paragraph a, Code  
5 2018, is amended to read as follows:

6 a. For purposes of **this section**, ~~"base amount"~~, "basic  
7 research payment", and "qualified research expense" mean the  
8 same as defined for the federal credit for increasing research  
9 activities under section 41 of the Internal Revenue Code,  
10 except that for the alternative simplified credit such amounts  
11 are for research conducted within this state.

12 Sec. 35. Section 422.11S, subsection 6, paragraph a, Code  
13 2018, is amended to read as follows:

14 a. "Eligible student" means a student who is a member of a  
15 household whose total annual income during the calendar year  
16 before the student receives a tuition grant for purposes of  
17 this section does not exceed an amount equal to ~~three~~ four  
18 times the most recently published federal poverty guidelines in  
19 the federal register by the United States department of health  
20 and human services.

21 Sec. 36. Section 422.11S, subsection 8, paragraph a,  
22 subparagraph (2), Code 2018, is amended to read as follows:

23 (2) "Total approved tax credits" means for the tax year  
24 beginning in the 2006 calendar year, two million five hundred  
25 thousand dollars, for the tax year beginning in the 2007  
26 calendar year, five million dollars, for tax years beginning  
27 on or after January 1, 2008, but before January 1, 2012, seven  
28 million five hundred thousand dollars, for tax years beginning  
29 on or after January 1, 2012, but before January 1, 2014, eight  
30 million seven hundred fifty thousand dollars, and for tax years  
31 beginning on or after January 1, 2014, but before January 1,  
32 2019, twelve million dollars, and for tax years beginning on or  
33 after January 1, 2019, thirteen million dollars.

34 Sec. 37. Section 422.33, subsection 5, Code 2018, is amended  
35 by adding the following new paragraph:

1     NEW PARAGRAPH. *Oe.* A corporation shall only be  
2 eligible for the credit provided in this subsection if the  
3 business conducting the research meets all of the following  
4 requirements:

5     (1) (a) The business is engaged in the manufacturing,  
6 life sciences, software engineering, or aviation and aerospace  
7 industry.

8     (b) Persons that shall not be considered to be engaged in  
9 the manufacturing, life sciences, software engineering, or  
10 aviation and aerospace industry, and thus are not eligible  
11 for the credit, include but are not limited to all of the  
12 following:

13     (i) A person engaged in agricultural production as defined  
14 in section 423.1.

15     (ii) A person who is a contractor, subcontractor, builder,  
16 or a contractor-retailer that engages in commercial and  
17 residential repair and installation, including but not limited  
18 to heating or cooling installation and repair, plumbing and  
19 pipe fitting, security system installation, and electrical  
20 installation and repair. For purposes of this subparagraph  
21 subdivision, "*contractor-retailer*" means a business that makes  
22 frequent retail sales to the public or to other contractors and  
23 that also engages in the performance of construction contracts.

24     (iii) A finance or investment company.

25     (iv) A retailer.

26     (v) A wholesaler.

27     (vi) A transportation company.

28     (vii) A publisher.

29     (viii) An agricultural cooperative association as defined  
30 in section 502.102.

31     (ix) A real estate company.

32     (x) A collection agency.

33     (xi) An accountant.

34     (xii) An architect.

35     (2) The business claims and is allowed a research credit

1 for such qualified research expenses under section 41 of the  
2 Internal Revenue Code for the same taxable year as it is  
3 claiming the credit provided in this subsection.

4 Sec. 38. Section 422.33, subsection 5, paragraph e, Code  
5 2018, is amended by adding the following new subparagraph:

6 NEW SUBPARAGRAPH. (01) For purposes of this section, "*base*  
7 *amount*" means the product of the fixed-based percentage times  
8 the average annual gross receipts of the taxpayer for the four  
9 taxable years preceding the taxable year for which the credit  
10 is being determined, but in no event shall the base amount be  
11 less than fifty percent of the qualified research expenses for  
12 the credit year.

13 Sec. 39. Section 422.33, subsection 5, paragraph e,  
14 subparagraph (1), Code 2018, is amended to read as follows:

15 (1) For purposes of **this subsection**, "~~*base amount*~~", "*basic*  
16 *research payment*", and "*qualified research expense*" mean the  
17 same as defined for the federal credit for increasing research  
18 activities under section 41 of the Internal Revenue Code,  
19 except that for the alternative simplified credit such amounts  
20 are for research conducted within this state.

21 Sec. 40. Section 422.33, subsection 29, Code 2018, is  
22 amended by striking the subsection.

23 Sec. 41. Section 422.60, subsection 12, Code 2018, is  
24 amended by striking the subsection.

25 Sec. 42. Section 476C.2, subsection 3, Code 2018, is amended  
26 by striking the subsection.

27 Sec. 43. Section 533.329, subsection 2, paragraph 1, Code  
28 2018, is amended by striking the paragraph.

29 Sec. 44. 2019 INTERIM TAX CREDIT STUDY.

30 1. The legislative council is requested to authorize a  
31 study committee to evaluate tax credits available under Iowa  
32 law, including Iowa's utilization of tax credits as a tool  
33 for promoting and supporting economic growth and development.  
34 The study committee shall also consider new or different  
35 tax credits or incentive programs, or tax rate or structure

1 changes, that will foster economic growth and improve Iowa's  
2 overall tax and economic development climate. The study  
3 committee shall make recommendations that the committee  
4 believes will improve predictability for the state's budget,  
5 improve accountability to the taxpayers of Iowa, maximize  
6 flexibility in utilization, and place Iowa in the best position  
7 for attracting and retaining workers and businesses in the  
8 future. In developing recommendations, the study committee  
9 shall place significant emphasis on directing tax credits,  
10 incentive programs, or tax rate or structure changes toward  
11 Iowa workers and programs to strengthen Iowa's workforce by  
12 incentivizing efforts to expand Iowans' skills and capabilities  
13 in high-demand career fields.

14 2. The study committee shall consist of five members of  
15 the senate, three of whom shall be appointed by the majority  
16 leader of the senate and two of whom shall be appointed by  
17 the minority leader of the senate, and five members of the  
18 house of representatives, three of whom shall be appointed by  
19 the speaker of the house of representatives and two of whom  
20 shall be appointed by the minority leader of the house of  
21 representatives.

22 3. The study committee shall meet during the 2019  
23 legislative interim to make recommendations for consideration  
24 during the 2020 legislative session in a report submitted to  
25 the general assembly.

26 Sec. 45. LEGISLATIVE INTENT. It is the intent of the  
27 general assembly that the provisions of this division of this  
28 Act enacting section 422.10, subsection 3, paragraph "0a",  
29 amending section 422.10, subsection 3, paragraph "a", enacting  
30 section 422.33, subsection 5, paragraph e, subparagraph (01),  
31 and amending section 422.33, subsection 5, paragraph "e",  
32 subparagraph (1), are conforming amendments consistent with  
33 current state law, and that the amendments do not change the  
34 application of current law but instead reflect current law both  
35 before and after the enactment of this division of this Act.

1     Sec. 46. REPEAL. Sections 422.10A and 422.11I, Code 2018,  
2 are repealed.

3     Sec. 47. REPEAL. Section 422.11L, Code 2018, is repealed.

4     Sec. 48. EFFECTIVE DATE. The following, being deemed of  
5 immediate importance, take effect upon enactment:

6     1. The section of this division of this Act amending section  
7 15E.52, subsection 8.

8     2. The section of this division of this Act enacting section  
9 422.10, subsection 1, paragraph "0a".

10    3. The section of this division of this Act enacting section  
11 422.10, subsection 3, paragraph "0a".

12    4. The section of this division of this Act amending section  
13 422.10, subsection 3, paragraph "a".

14    5. The section of this division of this Act enacting section  
15 422.33, subsection 5, paragraph "0e".

16    6. The section of this division of this Act enacting section  
17 422.33, subsection 5, paragraph "e", subparagraph (01).

18    7. The section of this division of this Act amending section  
19 422.33, subsection 5, paragraph "e", subparagraph (1).

20    8. The section of this division of this Act entitled  
21 "legislative intent" which describes the intent of the general  
22 assembly with respect to certain amendments in this division of  
23 this Act to sections 422.10 and 422.33.

24    Sec. 49. EFFECTIVE DATE. The following take effect January  
25 1, 2019:

26    1. The sections of this division of this Act amending  
27 section 422.11S.

28    2. The section of this division of this Act repealing  
29 sections 422.10A and 422.11I.

30    Sec. 50. RETROACTIVE APPLICABILITY. The following apply  
31 retroactively to January 1, 2017, for tax years beginning on  
32 or after that date:

33    1. The section of this division of this Act enacting section  
34 422.10, subsection 1, paragraph "0a".

35    2. The section of this division of this Act enacting section

1 422.33, subsection 5, paragraph "0e".

2 Sec. 51. APPLICABILITY. The following apply to solar energy  
3 system installations occurring on or after July 1, 2018:

4 1. The section of this division of this Act repealing  
5 section 422.11L.

6 2. The section of this division of this Act striking section  
7 422.33, subsection 29.

8 3. The section of this division of this Act striking section  
9 422.60, subsection 12.

10 4. The section of this division of this Act striking section  
11 476C.2, subsection 3.

12 5. The section of this division of this Act striking section  
13 533.329, subsection 2, paragraph "1".

14 Sec. 52. APPLICABILITY. The following applies to tax  
15 years beginning on or after January 1, 2019, and to qualified  
16 geothermal heat pump property installations occurring on or  
17 after January 1, 2019:

18 The section of this division of this Act repealing sections  
19 422.10A and 422.11I.

20 DIVISION V

21 TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

22 Sec. 53. Section 8.55, subsection 2, paragraph a, Code 2018,  
23 is amended to read as follows:

24 a. The first sixty million dollars of the difference  
25 between the actual net revenue for the general fund of the  
26 state for the fiscal year and the adjusted revenue estimate for  
27 the fiscal year shall be transferred to the ~~taxpayers trust~~  
28 taxpayer relief fund created in [section 8.57E](#).

29 Sec. 54. Section 8.57E, Code 2018, is amended to read as  
30 follows:

31 **8.57E ~~Taxpayers trust~~ Taxpayer relief fund.**

32 1. A ~~taxpayers trust~~ Taxpayer relief fund is created. The  
33 fund shall be separate from the general fund of the state and  
34 the balance in the fund shall not be considered part of the  
35 balance of the general fund of the state. The moneys credited

1 to the fund are not subject to [section 8.33](#) and shall not  
2 be transferred, used, obligated, appropriated, or otherwise  
3 encumbered except as provided in [this section](#).

4 2. Moneys in the ~~taxpayers trust~~ taxpayer relief fund shall  
5 only be used pursuant to appropriations or transfers made by  
6 the general assembly for tax relief, including but not limited  
7 to increases in the general retirement income exclusion under  
8 section 422.7, subsection 31, or reductions in income tax  
9 rates. ~~During each fiscal year beginning on or after July 1,~~  
10 ~~2014, in which the balance of the taxpayers trust fund equals~~  
11 ~~or exceeds thirty million dollars, there is transferred from~~  
12 ~~the taxpayers trust fund to the Iowa taxpayers trust fund tax~~  
13 ~~credit fund created in [section 422.11E](#), the entire balance of~~  
14 ~~the taxpayers trust fund to be used for the Iowa taxpayers~~  
15 ~~trust fund tax credit in accordance with [section 422.11E](#),~~  
16 ~~subsection 5.~~

17 3. *a.* Moneys in the ~~taxpayers trust~~ taxpayer relief  
18 fund may be used for cash flow purposes during a fiscal year  
19 provided that any moneys so allocated are returned to the fund  
20 by the end of that fiscal year.

21 *b.* Except as provided in [section 8.58](#), the ~~taxpayers trust~~  
22 taxpayer relief fund shall be considered a special account for  
23 the purposes of [section 8.53](#) in determining the cash position  
24 of the general fund of the state for the payment of state  
25 obligations.

26 4. Notwithstanding [section 12C.7, subsection 2](#), interest or  
27 earnings on moneys deposited in the ~~taxpayers trust~~ taxpayer  
28 relief fund shall be credited to the fund.

29 Sec. 55. Section 8.58, Code 2018, is amended to read as  
30 follows:

31 **8.58 Exemption from automatic application.**

32 1. To the extent that moneys appropriated under section  
33 8.57 do not result in moneys being credited to the general  
34 fund under [section 8.55, subsection 2](#), moneys appropriated  
35 under [section 8.57](#) and moneys contained in the cash reserve

1 fund, rebuild Iowa infrastructure fund, environment first fund,  
2 Iowa economic emergency fund, ~~taxpayers trust~~ taxpayer relief  
3 fund, and state bond repayment fund shall not be considered  
4 in the application of any formula, index, or other statutory  
5 triggering mechanism which would affect appropriations,  
6 payments, or taxation rates, contrary provisions of the Code  
7 notwithstanding.

8 2. To the extent that moneys appropriated under section  
9 8.57 do not result in moneys being credited to the general fund  
10 under [section 8.55, subsection 2](#), moneys appropriated under  
11 section 8.57 and moneys contained in the cash reserve fund,  
12 rebuild Iowa infrastructure fund, environment first fund, Iowa  
13 economic emergency fund, ~~taxpayers trust~~ taxpayer relief fund,  
14 and state bond repayment fund shall not be considered by an  
15 arbitrator or in negotiations under [chapter 20](#).

16 Sec. 56. Section 257.21, subsection 2, Code 2018, is amended  
17 to read as follows:

18 2. The instructional support income surtax shall be imposed  
19 on the state individual income tax for the calendar year during  
20 which the school's budget year begins, or for a taxpayer's  
21 fiscal year ending during the second half of that calendar year  
22 and after the date the board adopts a resolution to participate  
23 in the program or the first half of the succeeding calendar  
24 year, and shall be imposed on all individuals residing in the  
25 school district on the last day of the applicable tax year.  
26 As used in [this section](#), "*state individual income tax*" means  
27 the taxes computed under [section 422.5](#), less the amounts of  
28 nonrefundable credits allowed under [chapter 422, division II](#),  
29 ~~except for the Iowa taxpayers trust fund tax credit allowed~~  
30 ~~under [section 422.11E](#)~~.

31 Sec. 57. Section 422D.2, Code 2018, is amended to read as  
32 follows:

33 **422D.2 Local income surtax.**

34 A county may impose by ordinance a local income surtax as  
35 provided in [section 422D.1](#) at the rate set by the board of

1 supervisors, of up to one percent, on the state individual  
2 income tax of each individual residing in the county at the  
3 end of the individual's applicable tax year. However, the  
4 cumulative total of the percents of income surtax imposed on  
5 any taxpayer in the county shall not exceed twenty percent.  
6 The reason for imposing the surtax and the amount needed  
7 shall be set out in the ordinance. The surtax rate shall be  
8 set to raise only the amount needed. For purposes of this  
9 section, "state individual income tax" means the tax computed  
10 under [section 422.5](#), less the amounts of nonrefundable credits  
11 allowed under [chapter 422, division II](#), ~~except for the Iowa~~  
12 ~~taxpayers trust fund tax credit allowed under [section 422.11E](#).~~

13 Sec. 58. REPEAL. Section 422.11E, Code 2018, is repealed.

14 Sec. 59. EFFECTIVE DATE. This division of this Act, being  
15 deemed of immediate importance, takes effect upon enactment.

16 Sec. 60. RETROACTIVE APPLICABILITY. The following apply  
17 retroactively to January 1, 2018, for tax years beginning on  
18 or after that date:

19 1. The section of this division of this Act amending section  
20 257.21.

21 2. The section of this division of this Act repealing  
22 section 422.11E.

23 3. The section of this division of this Act amending section  
24 422D.2.

#### 25 DIVISION VI

#### 26 TAXPAYERS TRUST FUND TRANSFER CAP

27 Sec. 61. Section 8.54, subsection 5, Code 2018, is amended  
28 by striking the subsection.

29 Sec. 62. Section 8.55, subsection 2, Code 2018, is amended  
30 to read as follows:

31 2. The maximum balance of the fund is the amount equal to  
32 two and one-half percent of the adjusted revenue estimate for  
33 the fiscal year. If the amount of moneys in the Iowa economic  
34 emergency fund is equal to the maximum balance, moneys in  
35 excess of this amount shall be ~~distributed as follows:~~

1 ~~a. The first sixty million dollars of the difference between~~  
2 ~~the actual net revenue for the general fund of the state for~~  
3 ~~the fiscal year and the adjusted revenue estimate for the~~  
4 ~~fiscal year shall be transferred to the taxpayers trust fund~~  
5 ~~created in section 8.57E.~~

6 ~~b. The remainder of the excess, if any, shall be transferred~~  
7 ~~to the general fund of the state.~~

8 Sec. 63. Section 8.58, Code 2018, is amended to read as  
9 follows:

10 **8.58 Exemption from automatic application.**

11 1. ~~To the extent that moneys appropriated under section~~  
12 ~~8.57 do not result in moneys being credited to the general fund~~  
13 ~~under section 8.55, subsection 2, moneys~~ Moneys ~~appropriated~~  
14 ~~under section 8.57 and moneys contained in the cash reserve~~  
15 ~~fund, rebuild Iowa infrastructure fund, environment first fund,~~  
16 ~~Iowa economic emergency fund, taxpayers trust fund, and state~~  
17 ~~bond repayment fund shall not be considered in the application~~  
18 ~~of any formula, index, or other statutory triggering mechanism~~  
19 ~~which would affect appropriations, payments, or taxation rates,~~  
20 ~~contrary provisions of the Code notwithstanding.~~

21 2. ~~To the extent that moneys appropriated under section~~  
22 ~~8.57 do not result in moneys being credited to the general fund~~  
23 ~~under section 8.55, subsection 2, moneys~~ Moneys ~~appropriated~~  
24 ~~under section 8.57 and moneys contained in the cash reserve~~  
25 ~~fund, rebuild Iowa infrastructure fund, environment first fund,~~  
26 ~~Iowa economic emergency fund, taxpayers trust fund, and state~~  
27 ~~bond repayment fund shall not be considered by an arbitrator or~~  
28 ~~in negotiations under chapter 20.~~

29 Sec. 64. EFFECTIVE DATE. This division of this Act takes  
30 effect July 1, 2019.

31 Sec. 65. APPLICABILITY. This division of this Act is first  
32 applicable to calculate the state general fund expenditure  
33 limitation for the fiscal year beginning July 1, 2019.

34 DIVISION VII

35 INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

1     Sec. 66. Section 422.7, Code 2018, is amended by adding the  
2 following new subsections:

3     NEW SUBSECTION. 51. *a.* Notwithstanding any other provision  
4 of law to the contrary, the increased expensing allowance under  
5 section 179 of the Internal Revenue Code, as amended by Pub.  
6 L. No. 115-97, §13101, applies in computing net income for  
7 state tax purposes for tax years beginning on or after January  
8 1, 2018, subject to the limitations in this subsection for tax  
9 years beginning prior to January 1, 2020.

10    *b.* If the taxpayer has taken the increased expensing  
11 allowance under section 179 of the Internal Revenue Code,  
12 as amended by Pub. L. No. 115-97, §13101, for purposes of  
13 computing federal adjusted gross income for tax years beginning  
14 on or after January 1, 2018, but before January 1, 2020, then  
15 the taxpayer shall make the following adjustments to federal  
16 adjusted gross income when computing net income for state tax  
17 purposes for the same tax year:

18     (1) Add the total amount of expense deduction taken on  
19 section 179 property allowable for federal tax purposes under  
20 section 179 of the Internal Revenue Code, as amended by Pub.  
21 L. No. 115-97, §13101.

22     (2) (a) For tax years beginning on or after January  
23 1, 2018, but before January 1, 2019, subtract the amount  
24 of expense deduction on section 179 property allowable for  
25 federal tax purposes under section 179 of the Internal Revenue  
26 Code, as amended by Pub. L. No. 115-97, §13101, not to exceed  
27 seventy thousand dollars. The subtraction in this subparagraph  
28 division shall be reduced, but not below zero, by the amount by  
29 which the total cost of section 179 property placed in service  
30 by the taxpayer during the tax year exceeds two hundred eighty  
31 thousand dollars.

32     (b) For tax years beginning on or after January 1, 2019,  
33 but before January 1, 2020, subtract the amount of expense  
34 deduction on section 179 property allowable for federal tax  
35 purposes under section 179 of the Internal Revenue Code, as

1 amended by Pub. L. No. 115-97, §13101, not to exceed one  
2 hundred thousand dollars. The subtraction in this subparagraph  
3 division shall be reduced, but not below zero, by the amount by  
4 which the total cost of section 179 property placed in service  
5 by the taxpayer during the tax year exceeds four hundred  
6 thousand dollars.

7 (3) Any other adjustments to gains or losses necessary to  
8 reflect adjustments made in subparagraphs (1) and (2).

9 c. The director shall adopt rules pursuant to chapter 17A  
10 to administer this subsection.

11 NEW SUBSECTION. 52. a. For tax years beginning on or  
12 after January 1, 2018, but before January 1, 2020, a taxpayer  
13 may elect to take advantage of this subsection in lieu of  
14 subsection 51, but only if the taxpayer's total expensing  
15 allowance deduction for federal tax purposes under section 179  
16 of the Internal Revenue Code, as amended by Pub. L. No. 115-97,  
17 §13101, that is allocated to the taxpayer from one or more  
18 partnerships, S corporations, or limited liability companies  
19 electing to have the income taxed directly to the individual  
20 exceeds seventy thousand dollars for a tax year beginning  
21 during the 2018 calendar year, or exceeds one hundred thousand  
22 dollars for a tax year beginning during the 2019 calendar year,  
23 and would, except as provided in this subsection, be limited  
24 for purposes of computing net income for state tax purposes  
25 pursuant to subsection 51.

26 b. A taxpayer who elects to take advantage of this  
27 subsection shall make the following adjustments to federal  
28 adjusted gross income when computing net income for state tax  
29 purposes:

30 (1) Add the total amount of section 179 expense  
31 deduction allocated to the taxpayer from all partnerships, S  
32 corporations, or limited liability companies electing to have  
33 the income taxed directly to the individual, to the extent the  
34 allocated amount was allowed as a deduction to the taxpayer  
35 for federal tax purposes for the tax year under section 179 of

1 the Internal Revenue Code, as amended by Pub. L. No. 115-97,  
2 §13101.

3 (2) From the amount added in subparagraph (1), do the  
4 following:

5 (a) For tax years beginning on or after January 1, 2018,  
6 but before January 1, 2019, subtract the first seventy thousand  
7 dollars of expensing allowance deduction on section 179  
8 property.

9 (b) For tax years beginning on or after January 1, 2019,  
10 but before January 1, 2020, subtract the first one hundred  
11 thousand dollars of expensing allowance deduction on section  
12 179 property.

13 (3) The remaining amount, equal to the difference between  
14 the amount added in subparagraph (1), and the amount subtracted  
15 in subparagraph (2), may be deducted by the taxpayer but such  
16 deduction shall be amortized equally over five tax years  
17 beginning in the following tax year.

18 (4) Any other adjustments to gains or losses necessary to  
19 reflect adjustments made in subparagraphs (1) through (3).

20 c. A taxpayer who elects to take advantage of this  
21 subsection shall not take the increased expensing allowance  
22 under section 179 of the Internal Revenue Code, as amended by  
23 Pub. L. No. 115-97, §13101, for any section 179 property placed  
24 in service by the taxpayer in computing adjusted gross income  
25 for state tax purposes. If the taxpayer has taken any such  
26 deduction for purposes of computing federal adjusted gross  
27 income, the taxpayer shall make the following adjustments to  
28 federal adjusted gross income when computing net income for  
29 state tax purposes:

30 (1) Add the total amount of expense deduction for federal  
31 tax purposes taken on section 179 property placed in service by  
32 the taxpayer under section 179 of the Internal Revenue Code, as  
33 amended by Pub. L. No. 115-97, §13101.

34 (2) Subtract the amount of depreciation allowable on such  
35 property under the modified accelerated cost recovery system

1 described in section 168 of the Internal Revenue Code, without  
2 regard to section 168(k) of the Internal Revenue Code. The  
3 taxpayer shall continue to take depreciation on the applicable  
4 property in future tax years to the extent allowed under the  
5 modified accelerated cost recovery system described in section  
6 168 of the Internal Revenue Code, without regard to section  
7 168(k) of the Internal Revenue Code.

8 (3) Any other adjustments to gains or losses necessary to  
9 reflect the adjustments made in subparagraphs (1) and (2).

10 d. The election made under this subsection is for one tax  
11 year and the taxpayer may elect or not elect to take advantage  
12 of this subsection in any subsequent tax year. However, not  
13 electing to take advantage of this subsection in a subsequent  
14 tax year shall not affect the taxpayer's ability to claim the  
15 tax deduction under paragraph "b", subparagraph (3), that  
16 originated from a previous tax year.

17 e. The director shall adopt rules pursuant to chapter 17A  
18 to administer this subsection.

19 Sec. 67. Section 422.9, subsection 2, paragraph h, Code  
20 2018, is amended to read as follows:

21 h. For purposes of calculating the deductions in this  
22 subsection that are authorized under the Internal Revenue Code,  
23 and to the extent that any of such deductions is determined by  
24 an individual's federal adjusted gross income, the individual's  
25 federal adjusted gross income is computed in accordance with  
26 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

27 Sec. 68. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC  
28 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE  
29 OR OLDER. Notwithstanding any other provision of law to the  
30 contrary, for tax years beginning during the 2018 calendar  
31 year, the exclusion from federal adjusted gross income for  
32 certain qualified charitable distributions from an individual  
33 retirement plan provided in section 408(d)(8) of the Internal  
34 Revenue Code, as amended by Pub. L. No. 114-113, division Q,  
35 §112, applies in computing net income for state tax purposes.

1       Sec. 69.   STATE SALES AND USE TAX DEDUCTION.

2 Notwithstanding any other provision of law to the contrary, for  
3 tax years beginning during the 2018 calendar year, a taxpayer  
4 who elects to itemize deductions for state tax purposes under  
5 section 422.9, subsection 2, is allowed to take the deduction  
6 for state sales and use tax in lieu of the deduction for state  
7 and local income taxes under section 164(b)(5) of the Internal  
8 Revenue Code, as amended by Pub. L. No. 114-113, division Q,  
9 §106, in computing taxable income for state tax purposes, but  
10 only if the taxpayer elected to deduct state sales and use  
11 taxes in lieu of state and local income taxes for federal tax  
12 purposes for the same tax year.

13       Sec. 70.   EARNED INCOME TAX CREDIT FOR 2018.

14 Notwithstanding the definition of "Internal Revenue Code"  
15 in section 422.3, for tax years beginning during the 2018  
16 calendar year, any reference to the term "Internal Revenue  
17 Code" in section 422.12B shall mean the Internal Revenue Code  
18 of 1954, prior to the date of its redesignation as the Internal  
19 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
20 the Internal Revenue Code of 1986 as amended and in effect on  
21 January 1, 2016, but shall not be construed to include any  
22 amendment to the Internal Revenue Code enacted after January 1,  
23 2016, including any amendment with retroactive applicability  
24 or effectiveness.

25       Sec. 71.   ACCOUNTING METHOD AND OTHER MISCELLANEOUS

26 COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any  
27 other provision of law to the contrary, amendments to the  
28 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,  
29 §13221, §13504, §13541, §13543, §13611, and §13613, apply in  
30 calculating federal adjusted gross income or federal taxable  
31 income, as applicable, for state tax purposes for purposes of  
32 chapter 422 for tax years beginning during the 2018 calendar  
33 year to the extent those amendments affect the calculation of  
34 federal adjusted gross income or federal taxable income, as  
35 applicable, for federal tax purposes for tax years beginning

1 during the 2018 calendar year.

2 Sec. 72. TEACHER EXPENSE DEDUCTION. Notwithstanding  
3 any other provision of law to the contrary, for tax years  
4 beginning during the 2018 calendar year, a taxpayer is allowed  
5 to take the deduction for certain expenses of elementary and  
6 secondary school teachers allowed under section 62(a)(2)(D) of  
7 the Internal Revenue Code, as amended by Pub. L. No. 114-113,  
8 division Q, §104, in computing net income for state tax  
9 purposes.

10 Sec. 73. EFFECTIVE DATE. This division of this Act, being  
11 deemed of immediate importance, takes effect upon enactment.

12 Sec. 74. RETROACTIVE APPLICABILITY. Except as otherwise  
13 provided in this division of this Act, this division of this  
14 Act applies retroactively to January 1, 2018, for tax years  
15 beginning on or after that date, but before January 1, 2019.

16 Sec. 75. RETROACTIVE APPLICABILITY. The following apply  
17 retroactively to January 1, 2018, for tax years beginning on  
18 or after that date:

19 1. The section of this division of this Act enacting section  
20 422.7, subsections 51 and 52.

21 2. The section of this division of this Act amending section  
22 422.9, subsection 2, paragraph "h".

23 DIVISION VIII

24 INDIVIDUAL AND CORPORATE INCOME TAX AND FRANCHISE TAX CHANGES  
25 BEGINNING IN TAX YEAR 2019

26 Sec. 76. Section 15.335, subsection 7, paragraph b, Code  
27 2018, is amended by striking the paragraph and inserting in  
28 lieu thereof the following:

29 *b.* For purposes of this section, "*Internal Revenue Code*"  
30 means the same as defined in section 422.3.

31 Sec. 77. Section 422.3, subsection 5, Code 2018, is amended  
32 to read as follows:

33 5. "*Internal Revenue Code*" means one of the following:

34 *a.* For tax years beginning during the 2019 calendar year,  
35 "Internal Revenue Code" means the Internal Revenue Code of

1 1954, prior to the date of its redesignation as the Internal  
2 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
3 the Internal Revenue Code of 1986 as amended and in effect on  
4 ~~January 1, 2015~~ March 24, 2018. This definition shall not be  
5 construed to include any amendment to the Internal Revenue Code  
6 enacted after the date specified in the preceding sentence,  
7 including any amendment with retroactive applicability or  
8 effectiveness.

9 b. For tax years beginning on or after January 1, 2020,  
10 "Internal Revenue Code" means the Internal Revenue Code of  
11 1954, prior to the date of its redesignation as the Internal  
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the  
13 Internal Revenue Code of 1986, as amended.

14 Sec. 78. Section 422.4, subsection 16, Code 2018, is amended  
15 to read as follows:

16 16. The words "*taxable income*" mean the net income as  
17 defined in [section 422.7](#) minus the deductions allowed by  
18 section 422.9, in the case of individuals; in the case of  
19 estates or trusts, the words "*taxable income*" mean the taxable  
20 income ~~(without a deduction for personal exemption)~~ as  
21 computed for federal income tax purposes under the Internal  
22 Revenue Code, but with the following adjustments specified in  
23 [section 422.7](#) plus the Iowa income tax deducted in computing  
24 the federal taxable income and minus federal income taxes as  
25 provided in [section 422.9](#).

26 a. Add back the personal exemption deduction taken in  
27 computing federal taxable income.

28 b. Make the adjustments specified in section 422.7.

29 c. Add back Iowa income tax deducted in computing federal  
30 taxable income.

31 d. Subtract federal income taxes as provided in section  
32 422.9.

33 e. Add back the following percentage of the qualified  
34 business income deduction under section 199A of the Internal  
35 Revenue Code taken in calculating federal taxable income for

1 the applicable tax year:

2 (1) For tax years beginning on or after January 1, 2019, but  
3 before January 1, 2021, seventy-five percent.

4 (2) For tax years beginning during the 2021 calendar year,  
5 fifty percent.

6 (3) For tax years beginning on or after January 1, 2022,  
7 twenty-five percent.

8 Sec. 79. Section 422.5, subsection 1, Code 2018, is amended  
9 to read as follows:

10 1. a. A tax is imposed upon every resident and nonresident  
11 of the state which tax shall be levied, collected, and paid  
12 annually upon and with respect to the entire taxable income  
13 as defined in [this division](#) at rates as follows: provided in  
14 section 422.5A.

15 ~~a. On all taxable income from zero through one thousand~~  
16 ~~dollars, thirty-six hundredths of one percent.~~

17 ~~b. On all taxable income exceeding one thousand dollars but~~  
18 ~~not exceeding two thousand dollars, seventy-two hundredths of~~  
19 ~~one percent.~~

20 ~~c. On all taxable income exceeding two thousand dollars~~  
21 ~~but not exceeding four thousand dollars, two and forty-three~~  
22 ~~hundredths percent.~~

23 ~~d. On all taxable income exceeding four thousand dollars but~~  
24 ~~not exceeding nine thousand dollars, four and one-half percent.~~

25 ~~e. On all taxable income exceeding nine thousand dollars~~  
26 ~~but not exceeding fifteen thousand dollars, six and twelve~~  
27 ~~hundredths percent.~~

28 ~~f. On all taxable income exceeding fifteen thousand dollars~~  
29 ~~but not exceeding twenty thousand dollars, six and forty-eight~~  
30 ~~hundredths percent.~~

31 ~~g. On all taxable income exceeding twenty thousand dollars~~  
32 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~  
33 ~~percent.~~

34 ~~h. On all taxable income exceeding thirty thousand dollars~~  
35 ~~but not exceeding forty-five thousand dollars, seven and~~

1 ~~ninety-two hundredths percent.~~

2 ~~*i.* On all taxable income exceeding forty-five thousand~~  
3 ~~dollars, eight and ninety-eight hundredths percent.~~

4 ~~*f.*~~ *b.* (1) The tax imposed upon the taxable income of a  
5 nonresident shall be computed by reducing the amount determined  
6 pursuant to ~~paragraphs "a" through "i"~~ paragraph "a" by the  
7 amounts of nonrefundable credits under [this division](#) and by  
8 multiplying this resulting amount by a fraction of which the  
9 nonresident's net income allocated to Iowa, as determined in  
10 section 422.8, subsection 2, paragraph "a", is the numerator and  
11 the nonresident's total net income computed under [section 422.7](#)  
12 is the denominator. This provision also applies to individuals  
13 who are residents of Iowa for less than the entire tax year.

14 (2) (a) The tax imposed upon the taxable income of a  
15 resident shareholder in an S corporation or of an estate  
16 or trust with a situs in Iowa that is a shareholder in an S  
17 corporation, which S corporation has in effect for the tax  
18 year an election under subchapter S of the Internal Revenue  
19 Code and carries on business within and without the state,  
20 may be computed by reducing the amount determined pursuant  
21 to ~~paragraphs "a" through "i"~~ paragraph "a" by the amounts of  
22 nonrefundable credits under [this division](#) and by multiplying  
23 this resulting amount by a fraction of which the resident's  
24 or estate's or trust's net income allocated to Iowa, as  
25 determined in [section 422.8, subsection 2](#), paragraph "b", is  
26 the numerator and the resident's or estate's or trust's total  
27 net income computed under [section 422.7](#) is the denominator. If  
28 a resident shareholder, or an estate or trust with a situs in  
29 Iowa that is a shareholder, has elected to take advantage of  
30 this subparagraph (2), and for the next tax year elects not to  
31 take advantage of this subparagraph, the resident or estate or  
32 trust shareholder shall not reelect to take advantage of this  
33 subparagraph for the three tax years immediately following the  
34 first tax year for which the shareholder elected not to take  
35 advantage of this subparagraph, unless the director consents to

1 the reelection. This subparagraph also applies to individuals  
2 who are residents of Iowa for less than the entire tax year.

3 (b) This subparagraph (2) shall not affect the amount of  
4 the taxpayer's checkoffs under [this division](#), the credits from  
5 tax provided under [this division](#), and the allocation of these  
6 credits between spouses if the taxpayers filed separate returns  
7 or separately on combined returns.

8 Sec. 80. Section 422.5, subsection 2, paragraph a, Code  
9 2018, is amended to read as follows:

10 a. There is imposed upon every resident and nonresident of  
11 this state, including estates and trusts, the greater of the  
12 tax determined in [subsection 1](#), ~~paragraphs "a" through "j"~~, or  
13 the state alternative minimum tax equal to seventy-five percent  
14 of the maximum state individual income tax rate for the tax  
15 year, rounded to the nearest one-tenth of one percent, times  
16 the state alternative minimum taxable income of the taxpayer as  
17 computed under [this subsection](#).

18 Sec. 81. NEW SECTION. **422.5A Tax rates.**

19 The tax imposed in section 422.5 shall be calculated at the  
20 following rates:

21 1. On all taxable income from 0 through \$1,000, the rate of  
22 0.33 percent.

23 2. On all taxable income exceeding \$1,000 but not exceeding  
24 \$2,000, the rate of 0.67 percent.

25 3. On all taxable income exceeding \$2,000 but not exceeding  
26 \$4,000, the rate of 2.25 percent.

27 4. On all taxable income exceeding \$4,000 but not exceeding  
28 \$9,000, the rate of 4.14 percent.

29 5. On all taxable income exceeding \$9,000 but not exceeding  
30 \$15,000, the rate of 5.63 percent.

31 6. On all taxable income exceeding \$15,000 but not exceeding  
32 \$20,000, the rate of 5.96 percent.

33 7. On all taxable income exceeding \$20,000 but not exceeding  
34 \$30,000, the rate of 6.25 percent.

35 8. On all taxable income exceeding \$30,000 but not exceeding

1 \$45,000, the rate of 7.44 percent.

2 9. On all taxable income exceeding \$45,000, the rate of 8.53  
3 percent.

4 Sec. 82. Section 422.5, subsection 6, Code 2018, is amended  
5 to read as follows:

6 6. Upon determination of the latest cumulative inflation  
7 factor, the director shall multiply each dollar amount set  
8 forth in ~~subsection 1, paragraphs "a" through "i"~~ section  
9 422.5A by this cumulative inflation factor, shall round  
10 off the resulting product to the nearest one dollar, and  
11 shall incorporate the result into the income tax forms and  
12 instructions for each tax year.

13 Sec. 83. Section 422.7, subsection 39A, unnumbered  
14 paragraph 1, Code 2018, is amended by striking the unnumbered  
15 paragraph and inserting in lieu thereof the following:

16 The additional first-year depreciation allowance authorized  
17 in section 168(k) of the Internal Revenue Code does not  
18 apply in computing net income for state tax purposes. If the  
19 taxpayer has taken the additional first-year depreciation  
20 allowance for purposes of computing federal adjusted gross  
21 income, then the taxpayer shall make the following adjustments  
22 to federal adjusted gross income when computing net income for  
23 state tax purposes:

24 Sec. 84. Section 422.7, Code 2018, is amended by adding the  
25 following new subsection:

26 NEW SUBSECTION. 59. *a.* The rules for nonrecognition  
27 of gain or loss from exchanges of real property held for  
28 productive use or investment and not held primarily for sale,  
29 as provided in section 1031 of the Internal Revenue Code, apply  
30 for state income tax purposes with regard to exchanges of real  
31 property.

32 *b.* (1) The rules for nonrecognition of gain or loss  
33 from exchanges of property other than real property held for  
34 productive use or investment as provided in section 1031 of the  
35 Internal Revenue Code, as amended up to and including December

1 21, 2017, apply for state income tax purposes for tax years  
2 beginning during the 2019 calendar year, notwithstanding any  
3 other provision of law to the contrary. If the taxpayer's  
4 federal adjusted gross income includes gain or loss from  
5 property, other than real property described in paragraph "a",  
6 and the taxpayer elects to have this paragraph apply, the  
7 following adjustments shall be made:

8 (a) (i) Subtract the total amount of gain related to the  
9 sale or exchange of the property as properly reported for  
10 federal tax purposes under the Internal Revenue Code.

11 (ii) Add back any gain related to the sale or exchange  
12 of the property to the extent such gain does not qualify for  
13 deferral under section 1031 of the Internal Revenue Code, as  
14 amended up to and including December 21, 2017, which gain  
15 shall be calculated using the taxpayer's adjusted basis in the  
16 property for state tax purposes.

17 (b) (i) Add the total amount of loss related to the sale or  
18 exchange of the property as properly reported for federal tax  
19 purposes under the Internal Revenue Code.

20 (ii) Subtract any loss related to the sale or exchange  
21 of the property to the extent such loss does not qualify for  
22 deferral under section 1031 of the Internal Revenue Code, as  
23 amended up to and including December 21, 2017, which loss  
24 shall be calculated using the taxpayer's adjusted basis in the  
25 property for state tax purposes.

26 (c) Any other adjustments to gains, losses, deductions, or  
27 tax basis for the property given up or received in the sale or  
28 exchange pursuant to rules adopted by the director.

29 (2) The director shall adopt rules pursuant to chapter 17A  
30 to administer this paragraph.

31 c. This subsection is repealed January 1, 2020, for tax  
32 years beginning on or after that date.

33 Sec. 85. Section 422.8, subsection 2, paragraph a, Code  
34 2018, is amended to read as follows:

35 a. Nonresident's net income allocated to Iowa is the net

1 income, or portion of net income, which is derived from a  
2 business, trade, profession, or occupation carried on within  
3 this state or income from any property, trust, estate, or  
4 other source within Iowa. However, income derived from a  
5 business, trade, profession, or occupation carried on within  
6 this state and income from any property, trust, estate, or  
7 other source within Iowa shall not include distributions from  
8 pensions, including defined benefit or defined contribution  
9 plans, annuities, individual retirement accounts, and deferred  
10 compensation plans or any earnings attributable thereto so long  
11 as the distribution is directly related to an individual's  
12 documented retirement and received while the individual is a  
13 nonresident of this state. If a business, trade, profession,  
14 or occupation is carried on partly within and partly without  
15 the state, only the portion of the net income which is fairly  
16 and equitably attributable to that part of the business,  
17 trade, profession, or occupation carried on within the state  
18 is allocated to Iowa for purposes of section 422.5, subsection  
19 1, paragraph "j" "b", and [section 422.13](#) and income from any  
20 property, trust, estate, or other source partly within and  
21 partly without the state is allocated to Iowa in the same  
22 manner, except that annuities, interest on bank deposits and  
23 interest-bearing obligations, and dividends are allocated  
24 to Iowa only to the extent to which they are derived from a  
25 business, trade, profession, or occupation carried on within  
26 the state. Net income described in section 29C.24, subsection  
27 3, paragraph "a", subparagraph (3), and paragraph "b",  
28 subparagraph (2), shall not be allocated and apportioned to the  
29 state, as provided in [section 29C.24](#).

30 Sec. 86. Section 422.9, unnumbered paragraph 1, Code 2018,  
31 is amended to read as follows:

32 In computing taxable income of individuals, there shall be  
33 deducted from net income the larger of the following amounts:  
34 computed under subsection 1 or 2, plus the amount computed  
35 under subsection 2A.

1     Sec. 87. Section 422.9, Code 2018, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION. 2A. *a.* The following percentage of the  
4 qualified business income deduction under section 199A of the  
5 Internal Revenue Code taken in calculating federal taxable  
6 income for the applicable tax year:

7       (1) For tax years beginning on or after January 1, 2019, but  
8 before January 1, 2021, twenty-five percent.

9       (2) For tax years beginning during the 2021 calendar year,  
10 fifty percent.

11       (3) For tax years beginning on or after January 1, 2022,  
12 seventy-five percent.

13     *b.* Notwithstanding paragraph “*a*”, and section 422.4,  
14 subsection 16, paragraph “*e*”, for an entity electing or required  
15 to file a composite return under section 422.13, subsection 5,  
16 the deduction allowed under this subsection for purposes of the  
17 composite return shall be an amount equal to the applicable  
18 percentage described in paragraph “*a*” of the deduction that  
19 would be allowable for federal income tax purposes under  
20 section 199A of the Internal Revenue Code by an individual  
21 taxpayer reporting the same items of income and loss that are  
22 included in the composite return.

23     Sec. 88. Section 422.9, subsection 2, paragraph *i*, Code  
24 2018, is amended to read as follows:

25     *i.* The deduction for state sales and use taxes is allowable  
26 only if the taxpayer elected to deduct the state sales and use  
27 taxes in lieu of state income taxes under section 164 of the  
28 Internal Revenue Code. A deduction for state sales and use  
29 taxes is not allowed if the taxpayer has taken the deduction  
30 for state income taxes or claimed the standard deduction under  
31 section 63 of the Internal Revenue Code. This paragraph  
32 applies to taxable years beginning after ~~December 31, 2003,~~ and  
33 ~~before January 1, 2008,~~ and to taxable years beginning after  
34 ~~December 31, 2009,~~ and before January 1, 2015 December 31,  
35 2018.

1     Sec. 89. Section 422.9, subsection 2, Code 2018, is amended  
2 by adding the following new paragraph:

3     NEW PARAGRAPH. 1. The limitation on the deduction of  
4 certain taxes in section 164(b)(6) of the Internal Revenue  
5 Code does not apply in computing taxable income for state tax  
6 purposes. A taxpayer is allowed to deduct taxes in computing  
7 taxable income as otherwise provided in this subsection without  
8 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,  
9 §11042.

10    Sec. 90. Section 422.9, subsection 3, paragraph d, Code  
11 2018, is amended to read as follows:

12    d. Notwithstanding paragraph "a", for a taxpayer who is  
13 engaged in the trade or business of farming as defined in  
14 section 263A(e)(4) of the Internal Revenue Code and has a loss  
15 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of  
16 the Internal Revenue Code including modifications prescribed by  
17 rule by the director, the Iowa loss from the trade or business  
18 of farming is a net operating loss which may be carried back  
19 five taxable years prior to the taxable year of the loss.

20    Sec. 91. Section 422.9, subsection 5, Code 2018, is amended  
21 to read as follows:

22    5. A taxpayer affected by [section 422.8](#) shall, ~~if the~~  
23 ~~optional standard deduction is not used~~, be permitted to deduct  
24 only such portion of the total referred to in ~~subsection~~  
25 subsections 2 above and 2A as is fairly and equitably allocable  
26 to Iowa under the rules prescribed by the director.

27    Sec. 92. Section 422.9, subsections 6 and 7, Code 2018, are  
28 amended by striking the subsections.

29    Sec. 93. Section 422.10, subsection 3, paragraph b, Code  
30 2018, is amended by striking the paragraph.

31    Sec. 94. Section 422.11B, Code 2018, is amended to read as  
32 follows:

33    **422.11B Minimum tax credit.**

34    1. a. There is allowed as a credit against the tax  
35 determined in [section 422.5, subsection 1](#), paragraphs ~~"a"~~

1 ~~through "j"~~ for a tax year an amount equal to the minimum tax  
2 credit for that tax year.

3     **b.** The minimum tax credit for a tax year is the excess,  
4 if any, of the net minimum tax imposed for all prior tax  
5 years beginning on or after January 1, 1987, over the amount  
6 allowable as a credit under [this section](#) for those prior tax  
7 years.

8     **2. a.** The allowable credit under [subsection 1](#) for a tax  
9 year shall not exceed the excess, if any, of the tax determined  
10 in [section 422.5, subsection 1](#), paragraphs ~~"a"~~ through ~~"j"~~ over  
11 the state alternative minimum tax as determined in section  
12 422.5, subsection 2.

13     **b.** The net minimum tax for a tax year is the excess, if any,  
14 of the tax determined in [section 422.5, subsection 2](#), for the  
15 tax year over the tax determined in section 422.5, subsection  
16 1, paragraphs ~~"a"~~ through ~~"j"~~ for the tax year.

17     Sec. 95. Section 422.32, subsection 1, paragraph h, Code  
18 2018, is amended to read as follows:

19     **h.** *"Internal Revenue Code"* means one of the following:

20     (1) For tax years beginning during the 2019 calendar year,  
21 "Internal Revenue Code" means the Internal Revenue Code of  
22 1954, prior to the date of its redesignation as the Internal  
23 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
24 the Internal Revenue Code of 1986 as amended and in effect on  
25 January 1, 2015 March 24, 2018. This definition shall not be  
26 construed to include any amendment to the Internal Revenue Code  
27 enacted after the date specified in the preceding sentence,  
28 including any amendment with retroactive applicability or  
29 effectiveness.

30     (2) For tax years beginning on or after January 1, 2020,  
31 "Internal Revenue Code" means the Internal Revenue Code of  
32 1954, prior to the date of its redesignation as the Internal  
33 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the  
34 Internal Revenue Code of 1986, as amended.

35     Sec. 96. Section 422.33, subsection 1, paragraphs a, b, c,

1 and d, Code 2018, are amended to read as follows:

2     *a.* On the first twenty-five thousand dollars of taxable  
3 income, or any part thereof, the rate of six percent for tax  
4 years beginning prior to January 1, 2021, and the rate of  
5 five and one-half percent for tax years beginning on or after  
6 January 1, 2021.

7     *b.* On taxable income between twenty-five thousand dollars  
8 and one hundred thousand dollars or any part thereof, the rate  
9 of eight percent for tax years beginning prior to January 1,  
10 2021, and the rate of five and one-half percent for tax years  
11 beginning on or after January 1, 2021.

12     *c.* On taxable income between one hundred thousand dollars  
13 and two hundred fifty thousand dollars or any part thereof, the  
14 rate of ten percent for tax years beginning prior to January 1,  
15 2021, and the rate of nine percent for tax years beginning on  
16 or after January 1, 2021.

17     *d.* On taxable income of two hundred fifty thousand dollars  
18 or more, the rate of twelve percent for tax years beginning  
19 prior to January 1, 2021, and the rate of nine and eight-tenths  
20 percent for tax years beginning on or after January 1, 2021.

21     Sec. 97. Section 422.33, subsection 4, paragraph a, Code  
22 2018, is amended to read as follows:

23     *a.* In addition to all taxes imposed under [this division](#),  
24 there is imposed upon each corporation doing business within  
25 the state the greater of the tax determined in [subsection 1](#),  
26 paragraphs "a" through "d" or the state alternative minimum tax  
27 equal to sixty percent of the maximum state corporate income  
28 tax rate for the tax year, rounded to the nearest one-tenth of  
29 one percent, of the state alternative minimum taxable income of  
30 the taxpayer computed under [this subsection](#).

31     Sec. 98. Section 422.33, subsection 4, paragraph b,  
32 subparagraph (1), Code 2018, is amended to read as follows:

33     (1) Add items of tax preference included in federal  
34 alternative minimum taxable income under section 57, except  
35 subsections (a)(1) and (a)(5), of the Internal Revenue Code,

1 make the adjustments included in federal alternative minimum  
2 taxable income under section 56, except subsections (a)(4) and  
3 (d), of the Internal Revenue Code, and add losses as required  
4 by section 58 of the Internal Revenue Code. In making the  
5 adjustment under section 56(c)(1) of the Internal Revenue Code,  
6 interest and dividends from federal securities and interest  
7 and dividends from state and other political subdivisions and  
8 from regulated investment companies exempt from federal income  
9 tax under the Internal Revenue Code, net of amortization of  
10 any discount or premium, shall be subtracted. For purposes of  
11 this subparagraph, "Internal Revenue Code" means the Internal  
12 Revenue Code of 1954, prior to the date of its redesignation  
13 as the Internal Revenue Code of 1986 by the Tax Reform Act of  
14 1986, or means the Internal Revenue Code of 1986 as amended and  
15 in effect on December 21, 2017. This definition shall not be  
16 construed to include any amendment to the Internal Revenue Code  
17 enacted after the date specified in the preceding sentence,  
18 including any amendment with retroactive applicability or  
19 effectiveness.

20 Sec. 99. Section 422.33, subsection 4, Code 2018, is amended  
21 by adding the following new paragraph:

22 NEW PARAGRAPH. c. This subsection is repealed January 1,  
23 2021, for tax years beginning on or after that date.

24 Sec. 100. Section 422.33, subsection 5, paragraph e,  
25 subparagraph (2), Code 2018, is amended by striking the  
26 subparagraph.

27 Sec. 101. Section 422.33, subsection 7, Code 2018, is  
28 amended to read as follows:

29 7. a. (1) ~~There~~ For tax years beginning before January 1,  
30 2022, there is allowed as a credit against the tax determined  
31 in subsection 1 for a tax year an amount equal to the minimum  
32 tax credit for that tax year.

33 (2) The minimum tax credit for a tax year is the excess,  
34 if any, of the net minimum tax imposed for all prior tax years  
35 beginning on or after January 1, 1987, but before January

1 1, 2021, over the amount allowable as a credit under this  
2 subsection for those prior tax years.

3 *b.* (1) The allowable credit under paragraph "a" for a tax  
4 year beginning before January 1, 2021, shall not exceed the  
5 excess, if any, of the tax determined in subsection 1 over  
6 the state alternative minimum tax as determined in subsection  
7 4. The allowable credit under paragraph "a" for a tax year  
8 beginning in the 2021 calendar year shall not exceed the tax  
9 determined in subsection 1.

10 (2) The net minimum tax for a tax year is the excess, if  
11 any, of the tax determined in subsection 4 for the tax year  
12 over the tax determined in subsection 1 for the tax year.

13 *c.* This subsection is repealed January 1, 2022, for tax  
14 years beginning on or after that date.

15 Sec. 102. Section 422.35, subsection 4, Code 2018, is  
16 amended to read as follows:

17 4. *a.* ~~Subtract~~ For tax years beginning before January 1,  
18 2022, subtract fifty percent of the federal income taxes paid  
19 ~~or accrued, as the case may be, during the tax year to the~~  
20 extent payment is for a tax year beginning prior to January 1,  
21 2021, adjusted by any federal income tax refunds; and add the  
22 ~~Iowa income tax deducted in computing said taxable income to~~  
23 the extent the tax was deducted for a tax year beginning prior  
24 to January 1, 2021.

25 *b.* Add the Iowa income tax deducted in computing federal  
26 taxable income.

27 Sec. 103. Section 422.35, Code 2018, is amended by adding  
28 the following new subsections:

29 NEW SUBSECTION. 14. *a.* The increased expensing allowance  
30 under section 179 of the Internal Revenue Code applies in  
31 computing net income for state tax purposes for tax years  
32 beginning on or after January 1, 2019, subject to the  
33 limitations in this subsection for tax years beginning on or  
34 after January 1, 2019, but before January 1, 2020.

35 *b.* If the taxpayer has taken the increased expensing

1 allowance under section 179 of the Internal Revenue Code for  
2 purposes of computing federal taxable income for tax years  
3 beginning on or after January 1, 2019, but before January 1,  
4 2020, then the taxpayer shall make the following adjustments to  
5 federal taxable income when computing net income for state tax  
6 purposes for the same tax year:

7 (1) Add the total amount of expense deduction taken on  
8 section 179 property allowable for federal tax purposes under  
9 section 179 of the Internal Revenue Code.

10 (2) Subtract the amount of expense deduction on section  
11 179 property allowable for federal tax purposes under section  
12 179 of the Internal Revenue Code, not to exceed one hundred  
13 thousand dollars. The subtraction in this subparagraph shall  
14 be reduced, but not below zero, by the amount by which the  
15 total cost of section 179 property placed in service by the  
16 taxpayer during the tax year exceeds four hundred thousand  
17 dollars.

18 (3) Any other adjustments to gains or losses necessary to  
19 reflect adjustments made in subparagraphs (1) and (2).

20 *c.* The director shall adopt rules pursuant to chapter 17A  
21 to administer this subsection.

22 NEW SUBSECTION. 15. *a.* For tax years beginning on or  
23 after January 1, 2019, but before January 1, 2020, a taxpayer  
24 may elect to take advantage of this subsection in lieu of  
25 subsection 14, but only if the taxpayer's total expensing  
26 allowance deduction for federal tax purposes under section  
27 179 of the Internal Revenue Code that is allocated to the  
28 taxpayer from one or more partnerships or limited liability  
29 companies electing to have the income taxed directly to the  
30 owners exceeds one hundred thousand dollars and would, except  
31 as provided in this subsection, be limited for purposes  
32 of computing net income for state tax purposes pursuant to  
33 subsection 14.

34 *b.* A taxpayer who elects to take advantage of this  
35 subsection shall make the following adjustments to federal

1 taxable income when computing net income for state tax  
2 purposes:

3 (1) Add the total amount of section 179 expense deduction  
4 allocated to the taxpayer from all partnerships or limited  
5 liability companies electing to have the income taxed directly  
6 to the owners, to the extent the allocated amount was allowed  
7 as a deduction to the taxpayer for federal tax purposes for the  
8 tax year under section 179 of the Internal Revenue Code.

9 (2) From the amount added in subparagraph (1), subtract  
10 the first one hundred thousand dollars of expensing allowance  
11 deduction on section 179 property.

12 (3) The remaining amount, equal to the difference between  
13 the amount added in subparagraph (1), and the amount subtracted  
14 in subparagraph (2), may be deducted by the taxpayer but such  
15 deduction shall be amortized equally over five tax years  
16 beginning in the following tax year.

17 (4) Any other adjustments to gains or losses necessary to  
18 reflect adjustments made in subparagraphs (1) through (3).

19 *c.* A taxpayer who elects to take advantage of this  
20 subsection shall not take the increased expensing allowance  
21 under section 179 of the Internal Revenue Code for any section  
22 179 property placed in service by the taxpayer in computing  
23 taxable income for state tax purposes. If the taxpayer has  
24 taken any such deduction for purposes of computing federal  
25 taxable income, the taxpayer shall make the following  
26 adjustments to federal taxable income when computing net income  
27 for state tax purposes:

28 (1) Add the total amount of expense deduction for federal  
29 tax purposes taken on section 179 property placed in service by  
30 the taxpayer under section 179 of the Internal Revenue Code.

31 (2) Subtract the amount of depreciation allowable on such  
32 property under the modified accelerated cost recovery system  
33 described in section 168 of the Internal Revenue Code, without  
34 regard to section 168(k) of the Internal Revenue Code. The  
35 taxpayer shall continue to take depreciation on the applicable

1 property in future tax years to the extent allowed under the  
2 modified accelerated cost recovery system described in section  
3 168 of the Internal Revenue Code, without regard to section  
4 168(k) of the Internal Revenue Code.

5 (3) Any other adjustments to gains or losses necessary to  
6 reflect the adjustments made in subparagraphs (1) and (2).

7 d. The director shall adopt rules pursuant to chapter 17A  
8 to administer this subsection.

9 Sec. 104. Section 422.35, subsection 19A, unnumbered  
10 paragraph 1, Code 2018, is amended by striking the unnumbered  
11 paragraph and inserting in lieu thereof the following:

12 The additional first-year depreciation allowance authorized  
13 in section 168(k) of the Internal Revenue Code does not  
14 apply in computing net income for state tax purposes. If the  
15 taxpayer has taken the additional first-year depreciation  
16 allowance for purposes of computing federal taxable income,  
17 then the taxpayer shall make the following adjustments to  
18 federal taxable income when computing net income for state tax  
19 purposes:

20 Sec. 105. EFFECTIVE DATE. This division of this Act takes  
21 effect January 1, 2019.

22 Sec. 106. APPLICABILITY. This division of this Act applies  
23 to tax years beginning on or after January 1, 2019.

24 DIVISION IX

25 FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX  
26 CHANGES

27 Sec. 107. Section 12D.9, subsection 2, Code 2018, is amended  
28 to read as follows:

29 2. State income tax treatment of the Iowa educational  
30 savings plan trust shall be as provided in section 422.7,  
31 subsections 18, 32, and 33.

32 Sec. 108. Section 217.39, Code 2018, is amended to read as  
33 follows:

34 **217.39 Persecuted victims of World War II — reparations —**  
35 **heirs.**

1 Notwithstanding any other law of this state, payments paid  
2 to and income from lost property of a victim of persecution  
3 for racial, ethnic, or religious reasons by Nazi Germany or  
4 any other Axis regime or as an heir of such victim which is  
5 ~~exempt from state income tax as provided~~ described in section  
6 422.7, subsection 35, Code 2018, shall not be considered as  
7 income or an asset for determining the eligibility for state or  
8 local government benefit or entitlement programs. The proceeds  
9 are not subject to recoupment for the receipt of governmental  
10 benefits or entitlements, and liens, except liens for child  
11 support, are not enforceable against these sums for any reason.

12 Sec. 109. Section 422.4, subsection 1, paragraphs b and c,  
13 Code 2018, are amended to read as follows:

14 *b. "Cumulative inflation factor"* means the product of the  
15 annual inflation factor for the ~~1988~~ calendar year beginning on  
16 January 1 of the calendar year that this division of this Act  
17 takes effect and all annual inflation factors for subsequent  
18 calendar years as determined pursuant to **this subsection**. The  
19 cumulative inflation factor applies to all tax years beginning  
20 on or after January 1 of the calendar year for which the latest  
21 annual inflation factor has been determined.

22 *c.* The annual inflation factor for the ~~1988~~ calendar year  
23 beginning on January 1 of the calendar year that this division  
24 of this Act takes effect is one hundred percent.

25 Sec. 110. Section 422.4, subsection 2, Code 2018, is amended  
26 by striking the subsection.

27 Sec. 111. Section 422.4, subsection 16, Code 2018, is  
28 amended by striking the subsection and inserting in lieu  
29 thereof the following:

30 16. "*Taxable income*" means, in the case of individuals,  
31 the net income as defined in section 422.7 minus the deduction  
32 allowed by section 422.9, if available. "*Taxable income*" means,  
33 in the case of estates or trusts, the taxable income without  
34 a deduction for personal exemption as computed for federal  
35 income tax purposes under the Internal Revenue Code, but with

1 the adjustments specified in section 422.7, and the deduction  
2 allowed by section 422.9, if available.

3 Sec. 112. Section 422.5, subsection 1, paragraph j,  
4 subparagraph (2), subparagraph division (b), Code 2018, is  
5 amended to read as follows:

6 (b) This subparagraph (2) shall not affect the amount of  
7 the taxpayer's checkoffs under [this division](#), the credits from  
8 tax provided under [this division](#), and the allocation of these  
9 credits between spouses if the taxpayers filed separate returns  
10 ~~or separately on combined returns.~~

11 Sec. 113. Section 422.5, subsection 2, Code 2018, is amended  
12 by striking the subsection.

13 Sec. 114. Section 422.5, subsections 3 and 3B, Code 2018,  
14 are amended to read as follows:

15 3. a. The tax shall not be imposed on a resident or  
16 nonresident whose net income, as defined in [section 422.7](#), is  
17 thirteen thousand five hundred dollars or less in the case  
18 of married persons filing jointly ~~or filing separately on a~~  
19 ~~combined return~~, heads of household, and surviving spouses or  
20 nine thousand dollars or less in the case of all other persons;  
21 but in the event that the payment of tax under [this division](#)  
22 would reduce the net income to less than thirteen thousand five  
23 hundred dollars or nine thousand dollars as applicable, then  
24 the tax shall be reduced to that amount which would result  
25 in allowing the taxpayer to retain a net income of thirteen  
26 thousand five hundred dollars or nine thousand dollars as  
27 applicable. The preceding sentence does not apply to estates  
28 or trusts. For the purpose of [this subsection](#), the entire net  
29 income, including any part of the net income not allocated  
30 to Iowa, shall be taken into account. For purposes of this  
31 subsection, net income includes all amounts of pensions or  
32 other retirement income, except for military retirement pay  
33 excluded under [section 422.7, subsection 31A](#), paragraph "a",  
34 or [section 422.7, subsection 31B](#), paragraph "a", received from  
35 any source which is not taxable under [this division](#) as a result

1 of the government pension exclusions in [section 422.7](#), or any  
2 other state law. In calculating net income for purposes of  
3 this subsection, any amount of itemized or standard deduction,  
4 personal exemption deduction, or qualified business income  
5 deduction that was allowed as a deduction in computing federal  
6 taxable income under the Internal Revenue Code shall be added  
7 back. If the combined net income of a husband and wife exceeds  
8 thirteen thousand five hundred dollars, neither of them shall  
9 receive the benefit of [this subsection](#), and it is immaterial  
10 whether they file a joint return or separate returns. However,  
11 if a husband and wife file separate returns and have a combined  
12 net income of thirteen thousand five hundred dollars or less,  
13 neither spouse shall receive the benefit of this paragraph,  
14 if one spouse has a net operating loss and elects to carry  
15 back or carry forward the loss as provided under the Internal  
16 Revenue Code or in [section 422.9, subsection 3](#). A person who  
17 is claimed as a dependent by another person as defined in  
18 [section 422.12](#) shall not receive the benefit of [this subsection](#)  
19 if the person claiming the dependent has net income exceeding  
20 thirteen thousand five hundred dollars or nine thousand dollars  
21 as applicable or the person claiming the dependent and the  
22 person's spouse have combined net income exceeding thirteen  
23 thousand five hundred dollars or nine thousand dollars as  
24 applicable.

25 *b.* In lieu of the computation in [subsection 1 or 2](#), or in  
26 paragraph "a" of [this subsection](#), if the married persons',  
27 ~~filing jointly or filing separately on a combined return,~~  
28 head of household's, or surviving spouse's net income exceeds  
29 thirteen thousand five hundred dollars, the regular tax imposed  
30 under [this division](#) shall be the lesser of the maximum state  
31 individual income tax rate times the portion of the net income  
32 in excess of thirteen thousand five hundred dollars or the  
33 regular tax liability computed without regard to this sentence.  
34 Taxpayers electing to file separately shall compute the  
35 alternate tax described in this paragraph using the total net

1 income of the husband and wife. The alternate tax described  
2 in this paragraph does not apply if one spouse elects to carry  
3 back or carry forward ~~the~~ a net operating loss as provided  
4 under the Internal Revenue Code or in section 422.9, subsection  
5 3.

6 3B. a. The tax shall not be imposed on a resident or  
7 nonresident who is at least sixty-five years old on December  
8 31 of the tax year and whose net income, as defined in section  
9 422.7, is thirty-two thousand dollars or less in the case  
10 of married persons filing jointly ~~or filing separately on a~~  
11 ~~combined return~~, heads of household, and surviving spouses or  
12 twenty-four thousand dollars or less in the case of all other  
13 persons; but in the event that the payment of tax under this  
14 division would reduce the net income to less than thirty-two  
15 thousand dollars or twenty-four thousand dollars as applicable,  
16 then the tax shall be reduced to that amount which would result  
17 in allowing the taxpayer to retain a net income of thirty-two  
18 thousand dollars or twenty-four thousand dollars as applicable.  
19 The preceding sentence does not apply to estates or trusts.  
20 For the purpose of this subsection, the entire net income,  
21 including any part of the net income not allocated to Iowa,  
22 shall be taken into account. For purposes of this subsection,  
23 net income includes all amounts of pensions or other retirement  
24 income, except for military retirement pay excluded under  
25 section 422.7, subsection 31A, paragraph "a", or section 422.7,  
26 subsection 31B, paragraph "a", received from any source which is  
27 not taxable under this division as a result of the government  
28 pension exclusions in section 422.7, or any other state law.  
29 In calculating net income for purposes of this subsection, any  
30 amount of itemized or standard deduction, personal exemption  
31 deduction, or qualified business income deduction that was  
32 allowed as a deduction in computing federal taxable income  
33 under the Internal Revenue Code shall be added back. If the  
34 combined net income of a husband and wife exceeds thirty-two  
35 thousand dollars, neither of them shall receive the benefit

1 of [this subsection](#), and it is immaterial whether they file a  
2 joint return or separate returns. However, if a husband and  
3 wife file separate returns and have a combined net income of  
4 thirty-two thousand dollars or less, neither spouse shall  
5 receive the benefit of this paragraph, if one spouse has a net  
6 operating loss and elects to carry back or carry forward the  
7 loss as provided under the Internal Revenue Code or in section  
8 ~~422.9, subsection 3~~. A person who is claimed as a dependent by  
9 another person as defined in [section 422.12](#) shall not receive  
10 the benefit of [this subsection](#) if the person claiming the  
11 dependent has net income exceeding thirty-two thousand dollars  
12 or twenty-four thousand dollars as applicable or the person  
13 claiming the dependent and the person's spouse have combined  
14 net income exceeding thirty-two thousand dollars or twenty-four  
15 thousand dollars as applicable.

16 *b.* In lieu of the computation in [subsection 1, 2, or 3](#), if  
17 the married persons', filing jointly ~~or filing separately on~~  
18 ~~a combined return~~, head of household's, or surviving spouse's  
19 net income exceeds thirty-two thousand dollars, the regular  
20 tax imposed under [this division](#) shall be the lesser of the  
21 maximum state individual income tax rate times the portion of  
22 the net income in excess of thirty-two thousand dollars or the  
23 regular tax liability computed without regard to this sentence.  
24 Taxpayers electing to file separately shall compute the  
25 alternate tax described in this paragraph using the total net  
26 income of the husband and wife. The alternate tax described  
27 in this paragraph does not apply if one spouse elects to carry  
28 back or carry forward ~~the~~ a net operating loss as provided  
29 under the Internal Revenue Code or in section 422.9, subsection  
30 ~~3~~.

31 *c.* [This subsection](#) applies even though one spouse has not  
32 attained the age of sixty-five, if the other spouse is at least  
33 sixty-five at the end of the tax year.

34 Sec. 115. Section 422.5A, as enacted in this Act, Code  
35 2018, is amended by striking the section and inserting in lieu

1 thereof the following:

2 **422.5A Tax rates.**

3 1. The tax imposed in section 422.5 shall be calculated  
4 at the following rates in the case of a married couple filing  
5 jointly:

6 a. On all taxable income from 0 through \$12,000, the rate of  
7 4.40 percent.

8 b. On all taxable income exceeding \$12,000 but not exceeding  
9 \$60,000, the rate of 4.82 percent.

10 c. On all taxable income exceeding \$60,000 but not exceeding  
11 \$150,000, the rate of 5.70 percent.

12 d. On all taxable income exceeding \$150,000, the rate of  
13 6.50 percent.

14 2. The tax imposed in section 422.5 shall be calculated at  
15 the following rates in the case of any taxpayer other than a  
16 married couple filing jointly:

17 a. On all taxable income from 0 through \$6,000, the rate of  
18 4.40 percent.

19 b. On all taxable income exceeding \$6,000 but not exceeding  
20 \$30,000, the rate of 4.82 percent.

21 c. On all taxable income exceeding \$30,000 but not exceeding  
22 \$75,000, the rate of 5.70 percent.

23 d. On all taxable income exceeding \$75,000, the rate of 6.50  
24 percent.

25 Sec. 116. Section 422.7, unnumbered paragraph 1, Code 2018,  
26 is amended to read as follows:

27 The term "*net income*" means the ~~adjusted gross income before~~  
28 ~~the net operating loss deduction~~ taxable income as properly  
29 computed for federal income tax purposes under section 63 of  
30 the Internal Revenue Code, with the following adjustments:

31 Sec. 117. Section 422.7, Code 2018, is amended by adding the  
32 following new subsections:

33 NEW SUBSECTION. 4. Add any federal net operating loss  
34 deduction carried over from a taxable year beginning prior to  
35 January 1 of the calendar year that this division of this Act

1 takes effect.

2 NEW SUBSECTION. 6. a. For tax years beginning in the  
3 calendar year that this division of this Act takes effect,  
4 subtract the amount of federal income taxes paid during the  
5 tax year to the extent payment is for a tax year beginning  
6 prior to January 1 of the calendar year that this division of  
7 this Act takes effect, and add any federal income tax refunds  
8 received during the tax year to the extent the federal income  
9 tax was deducted for a tax year beginning prior to January 1 of  
10 the calendar year that this division of this Act takes effect.  
11 Where married persons who have filed a joint federal income  
12 tax return file separately for state tax purposes, such total  
13 shall be divided between them according to the portion of the  
14 total paid by each. Federal income taxes paid for a tax year  
15 in which an Iowa return was not required to be filed shall not  
16 be subtracted.

17 b. Notwithstanding any other provision of law to the  
18 contrary, amounts subtracted or added pursuant to this  
19 subsection shall not be included in the calculation of net  
20 income for purposes of section 422.5, subsection 3 or 3B, or  
21 section 422.13.

22 Sec. 118. Section 422.7, subsection 5, Code 2018, is amended  
23 to read as follows:

24 5. Individual taxpayers and married taxpayers who file a  
25 joint federal income tax return and who elect to file a joint  
26 return, or separate returns, ~~or separate filing on a combined~~  
27 ~~return~~ for Iowa income tax purposes, may avail themselves of  
28 the disability income exclusion and shall compute the amount  
29 of the disability income exclusion subject to the limitations  
30 for joint federal income tax return filers provided by section  
31 105(d) of the Internal Revenue Code. The disability income  
32 exclusion provided in section 105(d) of the Internal Revenue  
33 Code, as amended up to and including December 31, 1982,  
34 continues to apply for state income tax purposes for tax years  
35 beginning on or after January 1, 1984.

1     Sec. 119. Section 422.7, subsection 13, Code 2018, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4     13. Subtract, to the extent included, the amount of social  
5 security benefits taxable under section 86 of the Internal  
6 Revenue Code.

7     Sec. 120. Section 422.7, Code 2018, is amended by adding the  
8 following new subsections:

9     NEW SUBSECTION. 18. Add, to the extent deducted for federal  
10 tax purposes, charitable contributions under section 170 of  
11 the Internal Revenue Code to the extent such contribution was  
12 made to an organization for the purpose of deposit in the Iowa  
13 education savings plan trust established in chapter 12D, and  
14 the taxpayer designated that any part of the contribution be  
15 used for the direct benefit of any dependent of the taxpayer or  
16 any other single beneficiary designated by the taxpayer.

17     NEW SUBSECTION. 19. *a.* Subtract, to the extent included,  
18 income resulting from the payment by an employer of the  
19 taxpayer, whether paid to the taxpayer or to a lender, of  
20 principal or interest on any qualified education loan incurred  
21 by the taxpayer.

22     *b.* If the taxpayer has a deduction in computing federal  
23 taxable income under section 221 of the Internal Revenue Code  
24 for interest on a qualified education loan, the taxpayer shall  
25 recompute for purposes of this subsection the amount of the  
26 deduction under paragraph "a" by not subtracting any amount of  
27 income resulting from the employer's payment of interest on a  
28 qualified education loan that was also deducted by the taxpayer  
29 under section 221 of the Internal Revenue Code.

30     *c.* For purposes of this subsection, "*qualified education*  
31 *loan*" means the same as defined in section 221 of the Internal  
32 Revenue Code.

33     Sec. 121. Section 422.7, subsection 21, Code 2018, is  
34 amended by striking the subsection and inserting in lieu  
35 thereof the following:

1 21. a. For purposes of this subsection:

2 (1) "*Farming business*" means the raising and harvesting  
3 of crops or forest or fruit trees, the rearing, feeding, and  
4 management of livestock, or horticulture, all for intended  
5 profit.

6 (2) "*Held*" shall be determined with reference to the holding  
7 period provisions of section 1223 of the Internal Revenue Code  
8 and the federal regulations pursuant thereto.

9 (3) "*Materially participated*" means the same as "*material*  
10 *participation*" in section 469(h) of the Internal Revenue Code.

11 (4) (a) "*Real property used in a farming business*" means all  
12 tracts of land and the improvements and structures located on  
13 them which are in good faith used primarily for agricultural  
14 purposes except buildings which are primarily used or intended  
15 for human habitation. Land and the nonresidential improvements  
16 and structures located on it shall be considered to be used  
17 primarily for agricultural purposes if its principal use is  
18 devoted to the raising and harvesting of crops or forest or  
19 fruit trees, the rearing, feeding, and management of livestock,  
20 or horticulture, all for intended profit. Woodland, wasteland,  
21 and pastureland shall qualify but only if such land is held or  
22 operated in conjunction with real property that otherwise meets  
23 the requirements of this paragraph.

24 (b) Real property classified as agricultural property for  
25 Iowa property tax purposes, except real property described  
26 in section 441.21, subsection 12, paragraphs "a" or "b",  
27 shall be presumed to be real property used in a farming  
28 business. This presumption is rebuttable by the department by  
29 a preponderance of evidence that the real property did not meet  
30 the requirements of subparagraph division (a).

31 (5) "*Relative*" means an individual that satisfies one or  
32 more of the following conditions:

33 (a) The individual is related to the taxpayer by  
34 consanguinity within the second degree as determined by common  
35 law.

1 (b) The individual is a lineal descendent of the taxpayer.  
2 For purposes of this subparagraph division, "*lineal descendent*"  
3 means children of the taxpayer, including legally adopted  
4 children and biological children, stepchildren, grandchildren,  
5 great-grandchildren, and any other lineal descendent of the  
6 taxpayer.

7 b. Subtract the net capital gain from the sale of real  
8 property used in a farming business if all of the following  
9 conditions are satisfied:

10 (1) The taxpayer has materially participated in the farming  
11 business for a minimum of ten years immediately preceding the  
12 sale.

13 (2) The taxpayer has held the real property used in a  
14 farming business for a minimum of ten years immediately  
15 preceding the sale.

16 (3) The real property used in a farming business is sold to  
17 a relative of the taxpayer.

18 c. (1) If the relative to whom the taxpayer sold the  
19 real property used in a farming business that qualified  
20 for the deduction in this subsection subsequently sells or  
21 otherwise transfers all or part of said real property to a  
22 person who is not a relative of the taxpayer within five years  
23 of the original sale, the subsequent sale or transfer shall  
24 be considered prima facie evidence that the original sale  
25 was entered into by the taxpayer primarily to obtain the tax  
26 benefits provided in this subsection, and the deduction under  
27 this subsection for the original sale shall be disallowed for  
28 the taxpayer with respect to that real property subsequently  
29 sold or transferred by the relative.

30 (2) The prima facie determination in subparagraph (1) may be  
31 rebutted by the taxpayer by a preponderance of evidence showing  
32 that at the time of the original sale by the taxpayer of the  
33 real property used in a farming business, all of the following  
34 conditions were satisfied:

35 (a) The taxpayer had a substantial purpose for entering into

1 the sale transaction apart from the state tax benefits.

2 (b) The taxpayer did not intend that the real property would  
3 subsequently be sold or transferred to a person who is not a  
4 relative of the taxpayer.

5 (c) The taxpayer had no actual or constructive knowledge of  
6 the buyer's intent to subsequently sell or transfer the real  
7 property to a person who is not a relative of the taxpayer.

8 (3) Notwithstanding section 422.25, subsection 1, paragraph  
9 "a", the period of limitation for examination and determination  
10 of tax with regard to the deduction provided in this subsection  
11 shall be one of the following dates, whichever occurs later:

12 (a) The date which is three years after the date that the  
13 return upon which the deduction in this subsection is claimed  
14 is filed.

15 (b) The date which is three years after the date that the  
16 return upon which the deduction in this subsection is claimed  
17 is due, including any extensions.

18 (c) The date which is six years after the date of the sale  
19 of the real property used in a farming business for which the  
20 deduction in this subsection is claimed.

21 *d.* To the extent otherwise allowed, the deduction provided  
22 in this subsection is not allowed for purposes of computing the  
23 income for the taxable year or years for which a net operating  
24 loss is deducted under the Internal Revenue Code or under  
25 subsection 422.9.

26 Sec. 122. Section 422.7, subsection 29, Code 2018, is  
27 amended to read as follows:

28 29. *a.* Subtract For a taxpayer who is sixty-five years  
29 of age or older and whose net income is less than one hundred  
30 thousand dollars, subtract, to the extent not otherwise  
31 deducted in computing adjusted-gross federal taxable income,  
32 the amounts paid by the taxpayer for the purchase of health  
33 benefits coverage or insurance for the taxpayer or taxpayer's  
34 spouse or dependent.

35 *b.* For purposes of this subsection, "net income" means net

1 income as properly computed under this section without regard  
2 to the deduction in this subsection and with the following  
3 additional adjustments:

4 (1) Add back any amount of pensions or other retirement  
5 income received from any source which is not taxable under this  
6 division, including but not limited to amounts deductible under  
7 subsections 13, 31, 31A, and 31B.

8 (2) Add back any amount of itemized or standard deduction,  
9 personal exemption deduction, or qualified business income  
10 deduction that was allowed as a deduction from federal adjusted  
11 gross income in computing federal taxable income under the  
12 Internal Revenue Code.

13 Sec. 123. Section 422.7, subsection 31, Code 2018, is  
14 amended to read as follows:

15 31. For a person who is disabled, or is fifty-five years of  
16 age or older, or is the surviving spouse of an individual or  
17 a survivor having an insurable interest in an individual who  
18 would have qualified for the exemption under [this subsection](#)  
19 for the tax year, subtract, to the extent included, the  
20 total amount of a governmental or other pension or retirement  
21 pay, including, but not limited to, defined benefit or  
22 defined contribution plans, annuities, individual retirement  
23 accounts, plans maintained or contributed to by an employer,  
24 or maintained or contributed to by a self-employed person as  
25 an employer, and deferred compensation plans or any earnings  
26 attributable to the deferred compensation plans, up to a  
27 maximum of six thousand dollars for a person, other than a  
28 husband or wife, who files a separate state income tax return  
29 and up to a maximum of twelve thousand dollars for a husband  
30 and wife who file a joint state income tax return. However, a  
31 surviving spouse who is not disabled or fifty-five years of age  
32 or older can only exclude the amount of pension or retirement  
33 pay received as a result of the death of the other spouse. A  
34 husband and wife filing separate state income tax returns ~~or~~  
35 ~~separately on a combined state return~~ are allowed a combined

1 maximum exclusion under [this subsection](#) of up to twelve  
2 thousand dollars. The twelve thousand dollar exclusion shall  
3 be allocated to the husband or wife in the proportion that each  
4 spouse's respective pension and retirement pay received bears  
5 to total combined pension and retirement pay received.

6 Sec. 124. Section 422.7, subsection 41, Code 2018, is  
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. *oe.* Add, to the extent deducted for  
9 federal tax purposes, interest, taxes, and other miscellaneous  
10 expenses to the extent such amounts are eligible home costs  
11 in connection with a qualified home purchase that were paid  
12 or reimbursed from funds in a first-time homebuyer savings  
13 account.

14 Sec. 125. Section 422.7, subsection 47, Code 2018, is  
15 amended to read as follows:

16 47. Subtract, to the extent not otherwise deducted in  
17 computing ~~adjusted-gross~~ federal taxable income, the amounts  
18 paid by the taxpayer to the department of veterans affairs for  
19 the purpose of providing grants under the injured veterans  
20 grant program established in [section 35A.14](#). Amounts  
21 subtracted under [this subsection](#) shall not be used by the  
22 taxpayer in computing the amount of charitable contributions as  
23 defined by section 170 of the Internal Revenue Code.

24 Sec. 126. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14,  
25 15, 16, 20, 22, 24, 25, 26, 30, 35, 36, 37, 39, 39B, 40, 43, 45,  
26 49, 53, 55, 56, 57, and 58, Code 2018, are amended by striking  
27 the subsections.

28 Sec. 127. Section 422.8, subsection 4, Code 2018, is amended  
29 by striking the subsection.

30 Sec. 128. Section 422.9, Code 2018, is amended by striking  
31 the section and inserting in lieu thereof the following:

32 **422.9 Carry over of Iowa net operating loss.**

33 Any Iowa net operating loss carried over from a taxable year  
34 beginning prior to January 1 of the calendar year that this  
35 division of this Act takes effect may be deducted as provided

1 in section 422.9, subsection 3, Code 2018.

2 Sec. 129. Section 422.11B, Code 2018, is amended to read as  
3 follows:

4 **422.11B Minimum tax credit.**

5 1. *a.* There For tax years beginning before January 1 of the  
6 calendar year following the calendar year that this division  
7 of this Act takes effect, there is allowed as a credit against  
8 the tax determined in section 422.5, subsection 1, paragraphs  
9 "a" through "j" for a tax year an amount equal to the minimum  
10 tax credit for that tax year.

11 *b.* The minimum tax credit for a tax year is the excess, if  
12 any, of the net minimum tax imposed for all prior tax years  
13 beginning on or after January 1, 1987, but before January 1 of  
14 the calendar year that this division of this Act takes effect,  
15 over the amount allowable as a credit under this section for  
16 those prior tax years.

17 2. *a.* The allowable credit under subsection 1 for a tax  
18 year beginning before January 1 of the calendar year that this  
19 division of this Act takes effect shall not exceed the excess,  
20 if any, of the tax determined in section 422.5, subsection  
21 1, paragraphs "a" through "j" over the state alternative  
22 minimum tax as determined in section 422.5, subsection 2, Code  
23 2018. The allowable credit under subsection 1 for a tax year  
24 beginning in the calendar year that this division of this Act  
25 takes effect shall not exceed the tax determined under section  
26 422.5, subsection 1.

27 *b.* The net minimum tax for a tax year is the excess, if  
28 any, of the tax determined in section 422.5, subsection 2,  
29 Code 2018, for the tax year over the tax determined in section  
30 422.5, subsection 1, paragraphs "a" through "j" for the tax  
31 year.

32 3. This section is repealed January 1 of the calendar year  
33 following the calendar year that this division of this Act  
34 takes effect, for tax years beginning on or after January 1  
35 of the calendar year following the calendar year that this

1 division of this Act takes effect.

2 Sec. 130. Section 422.11S, subsection 4, Code 2018, is  
3 amended to read as follows:

4 4. Married taxpayers who file separate returns ~~or file~~  
5 ~~separately on a combined return form~~ must determine the tax  
6 credit under [subsection 1](#) based upon their combined net income  
7 and allocate the total credit amount to each spouse in the  
8 proportion that each spouse's respective net income bears to  
9 the total combined net income. Nonresidents or part-year  
10 residents of Iowa must determine their tax credit in the ratio  
11 of their Iowa source net income to their all source net income.  
12 Nonresidents or part-year residents who are married and elect  
13 to file separate returns ~~or to file separately on a combined~~  
14 ~~return form~~ must allocate the tax credit between the spouses  
15 in the ratio of each spouse's Iowa source net income to the  
16 combined Iowa source net income of the taxpayers.

17 Sec. 131. Section 422.12B, subsection 2, Code 2018, is  
18 amended to read as follows:

19 2. Married taxpayers electing to file separate returns ~~or~~  
20 ~~filing separately on a combined return~~ may avail themselves  
21 of the earned income credit by allocating the earned income  
22 credit to each spouse in the proportion that each spouse's  
23 respective earned income bears to the total combined earned  
24 income. Taxpayers affected by the allocation provisions of  
25 section 422.8 shall be permitted a deduction for the credit  
26 only in the amount fairly and equitably allocable to Iowa under  
27 rules prescribed by the director.

28 Sec. 132. Section 422.12C, subsection 4, Code 2018, is  
29 amended to read as follows:

30 4. Married taxpayers who have filed joint federal returns  
31 electing to file separate returns ~~or to file separately on a~~  
32 ~~combined return form~~ must determine the child and dependent  
33 care credit under [subsection 1](#) or the early childhood  
34 development tax credit under [subsection 2](#) based upon their  
35 combined net income and allocate the total credit amount to

1 each spouse in the proportion that each spouse's respective net  
2 income bears to the total combined net income. Nonresidents  
3 or part-year residents of Iowa must determine their Iowa child  
4 and dependent care credit in the ratio of their Iowa source  
5 net income to their all source net income. Nonresidents or  
6 part-year residents who are married and elect to file separate  
7 returns ~~or to file separately on a combined return form~~ must  
8 allocate the Iowa child and dependent care credit between the  
9 spouses in the ratio of each spouse's Iowa source net income to  
10 the combined Iowa source net income of the taxpayers.

11 Sec. 133. Section 422.13, subsection 1, paragraph c, Code  
12 2018, is amended by striking the paragraph.

13 Sec. 134. Section 422.16, subsection 1, paragraph f, Code  
14 2018, is amended by striking the paragraph.

15 Sec. 135. Section 422.21, subsections 2, 5, and 7, Code  
16 2018, are amended to read as follows:

17 2. An individual in the armed forces of the United States  
18 serving in an area designated by the president of the United  
19 States or the United States Congress as a combat zone or as a  
20 qualified hazardous duty area, or deployed outside the United  
21 States away from the individual's permanent duty station while  
22 participating in an operation designated by the United States  
23 secretary of defense as a contingency operation as defined  
24 in 10 U.S.C. §101(a)(13), or which became such a contingency  
25 operation by the operation of law, or an individual serving in  
26 support of those forces, is allowed the same additional time  
27 period after leaving the combat zone or the qualified hazardous  
28 duty area, or ceasing to participate in such contingency  
29 operation, or after a period of continuous hospitalization, to  
30 file a state income tax return or perform other acts related  
31 to the department, as would constitute timely filing of the  
32 return or timely performance of other acts described in section  
33 7508(a) of the Internal Revenue Code. An individual on active  
34 duty federal military service in the armed forces, armed forces  
35 military reserve, or national guard who is deployed outside

1 the United States in other than a combat zone, qualified  
2 hazardous duty area, or contingency operation is allowed the  
3 same additional period of time described in section 7508(a)  
4 of the Internal Revenue Code to file a state income tax  
5 return or perform other acts related to the department. For  
6 the purposes of **this subsection**, "*other acts related to the*  
7 *department*" includes filing claims for refund for any tax  
8 administered by the department, making tax payments other than  
9 withholding payments, filing appeals on the tax matters, filing  
10 other tax returns, and performing other acts described in the  
11 department's rules. The additional time period allowed applies  
12 to the spouse of the individual described in **this subsection**  
13 to the extent the spouse files jointly ~~or separately on the~~  
14 ~~combined return form~~ with the individual or when the spouse  
15 is a party with the individual to any matter for which the  
16 additional time period is allowed.

17 5. The director shall determine for the ~~1989~~ calendar year  
18 that this division of this Act takes effect and each subsequent  
19 calendar year the annual and cumulative inflation factors for  
20 each calendar year to be applied to tax years beginning on or  
21 after January 1 of that calendar year. The director shall  
22 compute the new dollar amounts as specified to be adjusted in  
23 section 422.5 by the latest cumulative inflation factor and  
24 round off the result to the nearest one dollar. The annual and  
25 cumulative inflation factors determined by the director are not  
26 rules as defined in **section 17A.2, subsection 11**. ~~The director~~  
27 ~~shall determine for the 1990 calendar year and each subsequent~~  
28 ~~calendar year the annual and cumulative standard deduction~~  
29 ~~factors to be applied to tax years beginning on or after~~  
30 ~~January 1 of that calendar year. The director shall compute~~  
31 ~~the new dollar amounts of the standard deductions specified in~~  
32 ~~section 422.9, subsection 1, by the latest cumulative standard~~  
33 ~~deduction factor and round off the result to the nearest ten~~  
34 ~~dollars. The annual and cumulative standard deduction factors~~  
35 ~~determined by the director are not rules as defined in section~~

1 ~~17A.2, subsection 11.~~

2 7. If married taxpayers file a joint return ~~or file~~  
3 ~~separately on a combined return~~ in accordance with rules  
4 prescribed by the director, both spouses are jointly and  
5 severally liable for the total tax due on the return, except  
6 when one spouse is considered to be an innocent spouse under  
7 criteria established pursuant to section 6015 of the Internal  
8 Revenue Code.

9 Sec. 136. Section 422.35, unnumbered paragraph 1, Code  
10 2018, is amended to read as follows:

11 The term "*net income*" means the taxable income ~~before the~~  
12 ~~net operating loss deduction~~, as properly computed for federal  
13 income tax purposes under the Internal Revenue Code, with the  
14 following adjustments:

15 Sec. 137. Section 422.35, subsection 11, Code 2018, is  
16 amended by striking the subsection and inserting in lieu  
17 thereof the following:

18 11. *a.* Add any federal net operating loss deduction carried  
19 over from a taxable year beginning prior to January 1 of the  
20 calendar year that this division of this Act takes effect.

21 *b.* Any Iowa net operating loss carried over from a taxable  
22 year beginning prior to January 1 of the calendar year that  
23 this division of this Act takes effect may be deducted as  
24 provided in section 422.35, subsection 11, Code 2018.

25 Sec. 138. Section 422.35, subsections 3, 4, 5, 7, 8, 10,  
26 16, 17, 18, 19, 19B, 20, 22, and 24, Code 2018, are amended by  
27 striking the subsections.

28 Sec. 139. Section 541B.3, subsection 1, paragraph b, Code  
29 2018, is amended to read as follows:

30 *b.* A married couple electing to file a joint Iowa individual  
31 income tax return may establish a joint first-time homebuyer  
32 savings account. Married taxpayers electing to file separate  
33 tax returns ~~or separately on a combined tax return~~ for Iowa tax  
34 purposes shall not establish or maintain a joint first-time  
35 homebuyer savings account.

1     Sec. 140. Section 541B.6, Code 2018, is amended to read as  
2 follows:

3     **541B.6 Tax considerations.**

4     The state income tax treatment of a first-time homebuyer  
5 savings account shall be as provided in section 422.7,  
6 subsection 41, and ~~section 422.9, subsection 2, paragraph "k"~~.

7     Sec. 141. CONTINGENT EFFECTIVE DATE — NET GENERAL FUND  
8 REVENUES CALCULATION — ANNUAL REPORTS.

9     1. This division of this Act takes effect on January 1,  
10 2023, if both of the following conditions are satisfied:

11     a. The net general fund revenues for the fiscal year ending  
12 June 30, 2022, equal or exceed eight billion three hundred  
13 fourteen million six hundred thousand dollars.

14     b. The net general fund revenues for the fiscal year ending  
15 June 30, 2022, equal or exceed one hundred and four percent of  
16 the net general fund revenues for the fiscal year ending June  
17 30, 2021.

18     2. If the provisions of subsection 1 are not satisfied  
19 and this division of this Act does not take effect on January  
20 1, 2023, then this division of this Act shall take effect on  
21 January 1 following the first fiscal year for which both of the  
22 following conditions are satisfied:

23     a. The net general fund revenues for that fiscal year ending  
24 June 30 equal or exceed eight billion three hundred fourteen  
25 million six hundred thousand dollars.

26     b. The net general fund revenues for that fiscal year ending  
27 June 30 equal or exceed one hundred and four percent of the  
28 net general fund revenues for the fiscal year ending June 30  
29 immediately preceding that fiscal year.

30     3. a. For purposes of this section, "net general fund  
31 revenues" means total appropriated general fund revenues  
32 excluding transfers from reserve funds, less the sum of tax and  
33 other refunds and school infrastructure transfers, all made on  
34 an accrual basis as computed for purposes of the comprehensive  
35 annual financial reports of the state.



1 the attainment of higher formal education by the greatest  
2 number of citizens of the state. ~~The state has limited~~  
3 ~~resources to provide additional programs for higher education~~  
4 ~~funding and the continued operation and maintenance of the~~  
5 ~~state's public institutions of higher education and the general~~  
6 welfare of the citizens of the state will be enhanced by  
7 establishing a program which allows citizens of the state to  
8 invest money in a public trust for future application to the  
9 payment of higher education costs qualified education expenses.  
10 The creation of the means of encouragement for citizens to  
11 invest in such a program represents the carrying out of a  
12 vital and valid public purpose. In order to make available  
13 to the citizens of the state an opportunity to fund future  
14 higher formal education needs, it is necessary that a public  
15 trust be established in which moneys may be invested for future  
16 educational use.

17 2. As used in [this chapter](#), unless the context otherwise  
18 requires:

19 a. "*Account balance limit*" means the maximum allowable  
20 aggregate balance of accounts established for the same  
21 beneficiary. Account earnings, if any, are included in the  
22 account balance limit.

23 b. "*Administrative fund*" means the administrative fund  
24 established under [section 12D.4](#).

25 c. "*Beneficiary*" means the individual designated by a  
26 participation agreement to benefit from advance payments of  
27 higher education costs qualified education expenses on behalf  
28 of the beneficiary.

29 d. "*Benefits*" means the payment of ~~higher education costs~~  
30 qualified education expenses on behalf of a beneficiary by the  
31 trust during the beneficiary's attendance at ~~an institution of~~  
32 higher education a qualified educational institution.

33 e. ~~"Higher education costs"~~ means the same as "qualified  
34 ~~higher education expenses"~~ as defined in ~~section 529(e)(3) of~~  
35 ~~the Internal Revenue Code.~~

1 ~~f.~~ e. "Institution of higher education" means an institution  
2 described in section 481 of the federal Higher Education Act of  
3 1965, 20 U.S.C. §1088, which is eligible to participate in the  
4 United States department of education's student aid programs.

5 ~~g.~~ f. "Internal Revenue Code" means the same as defined  
6 in [section 12I.1](#).

7 ~~h.~~ g. "Iowa educational savings plan trust" or "trust" means  
8 the trust created under [section 12D.2](#).

9 ~~i.~~ h. "Participant" means an individual, individual's legal  
10 representative, trust, estate, or an organization described  
11 in section 501(c)(3) of the Internal Revenue Code and exempt  
12 from taxation under section 501(a) of the Internal Revenue  
13 Code, that has entered into a participation agreement under  
14 this chapter for the advance payment of ~~higher education costs~~  
15 qualified education expenses on behalf of a beneficiary.

16 ~~j.~~ i. "Participation agreement" means an agreement between  
17 a participant and the trust entered into under [this chapter](#).

18 ~~k.~~ j. "Program fund" means the program fund established  
19 under [section 12D.4](#).

20 k. "Qualified education expenses" means the same as  
21 "qualified higher education expenses" as defined in section  
22 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.  
23 No. 115-97, and shall include elementary and secondary school  
24 expenses for tuition described in section 529(c)(7) of the  
25 Internal Revenue Code, subject to the limitations imposed by  
26 section 529(e)(3)(A) of the Internal Revenue Code.

27 l. "Qualified educational institution" means an institution  
28 of higher education, or any elementary or secondary public,  
29 private, or religious school described in section 529(c)(7) of  
30 the Internal Revenue Code.

31 ~~l.~~ m. "~~Tuition and fees~~" "Tuition" means the quarter, ~~or~~  
32 semester, or annual charges imposed to attend ~~an institution~~  
33 ~~of higher education~~ a qualified educational institution and  
34 required as a condition of enrollment or attendance.

35 Sec. 144. Section 12D.2, subsections 2, 5, 9, and 14, Code

1 2018, are amended to read as follows:

2 2. Enter into agreements with any ~~institution of higher~~  
3 ~~education~~ qualified educational institution, the state, or any  
4 federal or other state agency, or other entity as required to  
5 implement this chapter.

6 5. Carry out studies and projections so the treasurer of  
7 state may advise participants regarding present and estimated  
8 future ~~higher education costs~~ qualified education expenses  
9 and levels of financial participation in the trust required  
10 in order to enable participants to achieve their educational  
11 funding objectives.

12 9. Make payments to ~~institutions of higher education~~  
13 qualified educational institutions, participants, or  
14 beneficiaries, pursuant to participation agreements on behalf  
15 of beneficiaries.

16 14. Establish, impose, and collect administrative fees  
17 and charges in connection with transactions of the trust, and  
18 provide for reasonable service charges, ~~including penalties for~~  
19 ~~cancellations and late payments with respect to participation~~  
20 ~~agreements~~.

21 Sec. 145. Section 12D.3, subsections 1 and 2, Code 2018, are  
22 amended to read as follows:

23 1. ~~a.~~ Each participation agreement may require a  
24 participant to agree to invest a specific amount of money in  
25 the trust for a specific period of time for the benefit of a  
26 specific beneficiary. A participant shall not be required to  
27 make an annual contribution on behalf of a beneficiary. The  
28 maximum contribution that may be deducted for Iowa income tax  
29 purposes shall not exceed two thousand dollars per beneficiary  
30 per year adjusted annually to reflect increases in the consumer  
31 price index. The treasurer of state shall set an account  
32 balance limit to maintain compliance with section 529 of the  
33 Internal Revenue Code. A contribution shall not be permitted  
34 to the extent it causes the aggregate balance of all accounts  
35 established for the same beneficiary under the trust to exceed

1 the applicable account balance limit.

2 ~~b. Participation agreements may be amended to provide for~~  
3 ~~adjusted levels of payments based upon changed circumstances or~~  
4 ~~changes in educational plans.~~

5 2. The execution of a participation agreement by the trust  
6 shall not guarantee in any way that ~~higher education costs~~  
7 qualified education expenses will be equal to projections  
8 and estimates provided by the trust or that the beneficiary  
9 named in any participation agreement will attain any of the  
10 following:

11 a. Be admitted to ~~an institution of higher education a~~  
12 qualified educational institution.

13 b. If admitted, be determined a resident for tuition  
14 purposes by the ~~institution of higher education~~ qualified  
15 educational institution.

16 c. Be allowed to continue attendance at the ~~institution of~~  
17 ~~higher education~~ qualified educational institution following  
18 admission.

19 d. Graduate from the ~~institution of higher education~~  
20 qualified educational institution.

21 Sec. 146. Section 12D.3, Code 2018, is amended by adding the  
22 following new subsection:

23 NEW SUBSECTION. 5. A participant may designate a successor  
24 in accordance with rules adopted by the treasurer of state.  
25 The designated successor shall succeed to the ownership of the  
26 account in the event of the death of the participant. In the  
27 event a participant dies and has not designated a successor to  
28 the account, the following criteria shall apply:

29 a. The beneficiary of the account, if eighteen years of  
30 age or older, shall become the owner of the account as well as  
31 remain the beneficiary upon filing the appropriate forms in  
32 accordance with rules adopted by the treasurer of state.

33 b. If the beneficiary of the account is under the age of  
34 eighteen, account ownership shall be transferred to the first  
35 surviving parent or other legal guardian of the beneficiary to

1 file the appropriate forms in accordance with rules adopted by  
2 the treasurer of state.

3 Sec. 147. Section 12D.4, Code 2018, is amended to read as  
4 follows:

5 **12D.4 Program and administrative funds — investment and**  
6 **payments.**

7 1. *a.* The treasurer of state shall segregate moneys  
8 received by the trust into two funds: the program fund and the  
9 administrative fund.

10 *b.* All moneys paid by participants in connection with  
11 participation agreements shall be deposited as received into  
12 separate accounts within the program fund.

13 *c.* Contributions to the trust made by participants may only  
14 be made in the form of cash.

15 *d.* A participant or beneficiary ~~shall not provide investment~~  
16 ~~direction regarding program contributions or earnings held by~~  
17 the trust may, directly or indirectly, direct the investment of  
18 any contributions to the trust or any earnings thereon no more  
19 than two times in a calendar year.

20 *e.* The amount of cash distributions from the trust and all  
21 other qualified state tuition programs under section 529 of  
22 the Internal Revenue Code to a beneficiary during any taxable  
23 year shall, in the aggregate, include no more than ten thousand  
24 dollars in expenses for tuition in connection with enrollment  
25 at an elementary or secondary public, private, or religious  
26 school incurred during the taxable year.

27 2. Moneys accrued by participants in the program fund of  
28 the trust may be used for payments to any ~~institution of higher~~  
29 ~~education~~ qualified educational institution. Payments can be  
30 made to the qualified educational institution, the participant,  
31 or the beneficiary.

32 Sec. 148. Section 12D.6, subsection 1, paragraph a, Code  
33 2018, is amended to read as follows:

34 *a.* A participant retains ownership of all payments made  
35 under a participation agreement up to the date of utilization

1 for payment of ~~higher education costs~~ qualified education  
2 expenses for the beneficiary.

3 Sec. 149. Section 12D.6, subsections 2, 3, and 5, Code 2018,  
4 are amended to read as follows:

5 2. In the event the program is terminated prior to payment  
6 of ~~higher education costs~~ qualified education expenses for the  
7 beneficiary, the participant is entitled to a refund of the  
8 participant's account balance.

9 3. The ~~institution of higher education~~ qualified  
10 educational institution shall obtain ownership of the payments  
11 made for the ~~higher education costs~~ qualified education  
12 expenses paid to the institution at the time each payment is  
13 made to the institution.

14 5. A participant may transfer ownership rights to another  
15 ~~eligible individual, including a gift of the ownership rights~~  
16 ~~to a minor beneficiary participant,~~ or may transfer funds to  
17 another plan under the trust or to an ABLE account as permitted  
18 under section 529(c)(3)(C) of the Internal Revenue Code.  
19 The transfer shall be made and the property distributed in  
20 accordance with rules adopted by the treasurer of state or with  
21 the terms of the participation agreement.

22 Sec. 150. Section 12D.7, Code 2018, is amended to read as  
23 follows:

24 **12D.7 Effect of payments on determination of need and**  
25 **eligibility for student financial aid.**

26 A student loan program, student grant program, or other  
27 program administered by any agency of the state, except as  
28 may be otherwise provided by federal law or the provisions  
29 of any specific grant applicable to that law, shall not take  
30 into account and shall not consider amounts available for  
31 the payment of ~~higher education costs~~ qualified education  
32 expenses pursuant to the Iowa educational savings plan trust in  
33 determining need and eligibility for student aid.

34 Sec. 151. Section 12D.9, subsection 1, paragraph a, Code  
35 2018, is amended to read as follows:

1 a. Pursuant to [section 12D.3, subsection 1](#), paragraph "a",  
2 a participant may make contributions to an account which is  
3 established for the purpose of meeting the qualified ~~higher~~  
4 education expenses of the designated beneficiary of the  
5 account.

6 Sec. 152. Section 422.7, subsection 32, paragraph c, Code  
7 2018, is amended by striking the paragraph and inserting in  
8 lieu thereof the following:

9 c. (1) Add, to the extent previously deducted as a  
10 contribution to the trust, the amount resulting from a  
11 withdrawal or transfer made by the taxpayer from the Iowa  
12 educational savings plan trust for purposes other than any of  
13 the following:

14 (a) The payment of qualified higher education expenses.

15 (b) The payment of tuition to an elementary or secondary  
16 school if the tuition amounts are qualified education expenses.

17 (c) A change in beneficiaries under, or transfer to another  
18 account within, the Iowa educational savings plan trust, or a  
19 transfer to the Iowa ABLE savings plan trust, provided such  
20 change or transfer is permitted under section 12D.6, subsection  
21 5.

22 (2) For purposes of this paragraph:

23 (a) "*Elementary or secondary school*" means an elementary  
24 or secondary school in this state which is accredited under  
25 section 256.11, and adheres to the provisions of the federal  
26 Civil Rights Act of 1964 and chapter 216.

27 (b) "*Qualified education expenses*" and "*tuition*" all mean the  
28 same as defined in section 12D.1, subsection 2.

29 (c) (i) "*Qualified higher education expenses*" means the same  
30 as defined in section 529(e)(3) of the Internal Revenue Code.

31 (ii) For purposes of this subparagraph division (c),  
32 "*Internal Revenue Code*" means the Internal Revenue Code of  
33 1954, prior to the date of its redesignation as the Internal  
34 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
35 the Internal Revenue Code of 1986 as amended and in effect on

1 January 1, 2018. This definition shall not be construed to  
2 include any amendment to the Internal Revenue Code enacted  
3 after the date specified in the preceding sentence, including  
4 any amendment with retroactive applicability or effectiveness.

5 Sec. 153. Section 422.7, subsection 34, Code 2018, is  
6 amended to read as follows:

7 34. a. (1) Subtract the amount contributed during the tax  
8 year on behalf of a designated beneficiary that is a resident  
9 of this state to the Iowa ABLE savings plan trust or to the  
10 qualified ABLE program with which the state has contracted  
11 pursuant to [section 12I.10](#), not to exceed the maximum  
12 contribution level established in [section 12I.3, subsection 1,](#)  
13 [paragraph "d",](#) or [section 12I.10, subsection 2, paragraph "a",](#)  
14 as applicable.

15 (2) This paragraph "a" shall not apply to any amount  
16 of contribution that represents a transfer from the Iowa  
17 educational savings plan trust created in chapter 12D that  
18 meets the requirements of subsection 32, paragraph "c",  
19 subparagraph (1), subparagraph division (c), and that was  
20 previously deducted as a contribution to the Iowa educational  
21 savings plan trust.

22 b. Add the amount resulting from the cancellation of a  
23 participation agreement refunded to the taxpayer as an account  
24 owner in the Iowa ABLE savings plan trust or the qualified  
25 ABLE program with which the state has contracted pursuant to  
26 section 12I.10 to the extent previously deducted pursuant  
27 to [this subsection](#) by the taxpayer or any other person as a  
28 contribution to the trust or qualified ABLE program, or to the  
29 extent the amount was previously deducted by the taxpayer or  
30 any other person pursuant to subsection 32, paragraph "a", and  
31 qualified as a transfer under paragraph "a", subparagraph (2),  
32 of this subsection.

33 c. Add the amount resulting from a withdrawal made by a  
34 taxpayer from the Iowa ABLE savings plan trust or the qualified  
35 ABLE program with which the state has contracted pursuant to

1 section 12I.10 for purposes other than the payment of qualified  
2 disability expenses to the extent previously deducted pursuant  
3 to this subsection by the taxpayer or any other person as a  
4 contribution to the trust or qualified ABLE program, or to the  
5 extent the amount was previously deducted by the taxpayer or  
6 any other person pursuant to subsection 32, paragraph "a", and  
7 qualified as a transfer under paragraph "a", subparagraph (2),  
8 of this subsection.

9 Sec. 154. Section 627.6, Code 2018, is amended by adding the  
10 following new subsection:

11 NEW SUBSECTION. 17. The debtor's interest, whether as  
12 participant or beneficiary, in contributions and assets,  
13 including the accumulated earnings and market increases in  
14 value, held in an account in the Iowa educational savings plan  
15 trust organized under chapter 12D.

16 Sec. 155. EFFECTIVE DATE. This division of this Act, being  
17 deemed of immediate importance, takes effect upon enactment.

18 Sec. 156. RETROACTIVE APPLICABILITY.

19 1. Except as provided in subsection 2, this division of this  
20 Act applies retroactively to January 1, 2018, for withdrawals  
21 from the Iowa educational savings plan trust made on or after  
22 that date.

23 2. The sections of this division of this Act amending  
24 section 422.7 apply retroactively to January 1, 2018, for tax  
25 years beginning on or after that date, and for withdrawals from  
26 the Iowa educational savings plan trust made on or after that  
27 date.

## 28 DIVISION XI

### 29 SALES AND USE TAXES

30 Sec. 157. Section 15J.4, subsection 3, paragraph f, Code  
31 2018, is amended to read as follows:

32 f. The total aggregate amount of state sales tax revenues  
33 and state hotel and motel tax revenues that may be approved by  
34 the board for remittance to all municipalities and that may  
35 be transferred to the state reinvestment district fund under

1 section ~~423.2, subsection 11,~~ 423.2A or section 423A.6, and  
2 remitted to all municipalities having a reinvestment district  
3 under this chapter shall not exceed one hundred million  
4 dollars.

5 Sec. 158. Section 15J.5, subsection 1, paragraph a, Code  
6 2018, is amended to read as follows:

7 a. The department shall calculate quarterly the amount of  
8 new state sales tax revenues for each district established in  
9 the state to be deposited in the state reinvestment district  
10 fund created in section 15J.6, pursuant to section ~~423.2,~~  
11 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, subject to  
12 remittance limitations established by the board pursuant to  
13 section 15J.4, subsection 3.

14 Sec. 159. Section 15J.6, subsection 1, Code 2018, is amended  
15 to read as follows:

16 1. A state reinvestment district fund is established in the  
17 state treasury under the control of the department consisting  
18 of the new state sales tax revenues collected within each  
19 district and deposited in the fund pursuant to section ~~423.2,~~  
20 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, and the  
21 new state hotel and motel tax revenues collected within each  
22 district and deposited in the fund pursuant to section 423A.6.  
23 Moneys deposited in the fund are appropriated to the department  
24 for the purposes of this section. Moneys in the fund shall  
25 only be used for the purposes of this section.

26 Sec. 160. Section 418.11, subsection 1, Code 2018, is  
27 amended to read as follows:

28 1. The department of revenue shall calculate quarterly the  
29 amount of increased sales tax revenues for each governmental  
30 entity approved to use sales tax increment revenues and the  
31 amount of such revenues to be transferred to the sales tax  
32 increment fund pursuant to ~~section 423.2, subsection 11,~~  
33 ~~paragraph "b"~~ 423.2A, subsection 2.

34 Sec. 161. Section 418.12, subsection 1, Code 2018, is  
35 amended to read as follows:

1 1. A sales tax increment fund is established as a separate  
2 and distinct fund in the state treasury under the control of  
3 the department of revenue consisting of the amount of the  
4 increased state sales and services tax revenues collected by  
5 the department of revenue within each applicable area specified  
6 in [section 418.11, subsection 3](#), and deposited in the fund  
7 pursuant to ~~[section 423.2, subsection 11](#)~~, paragraph ~~"b"~~ [423.2A,](#)  
8 [subsection 2](#). Moneys deposited in the fund are appropriated  
9 to the department of revenue for the purposes of [this section](#).  
10 Moneys in the fund shall only be used for the purposes of this  
11 section.

12 Sec. 162. Section 421.26, Code 2018, is amended to read as  
13 follows:

14 **421.26 Personal liability for tax due.**

15 If a licensee or other person under [section 452A.65](#), a  
16 retailer or purchaser under chapter 423A, 423B, [423C](#), [423D](#), or  
17 [423E](#), or [section 423.14, 423.14A, 423.29, 423.31, 423.32](#), or  
18 [423.33](#), ~~or a retailer or purchaser under [section 423.32](#)~~, or  
19 a user under [section 423.34](#), or a permit holder or licensee  
20 under [section 453A.13, 453A.16, or 453A.44](#) fails to pay a tax  
21 under those sections when due, an officer of a corporation  
22 or association, notwithstanding [section 489.304](#), a member or  
23 manager of a limited liability company, or a partner of a  
24 partnership, having control or supervision of or the authority  
25 for remitting the tax payments and having a substantial legal  
26 or equitable interest in the ownership of the corporation,  
27 association, limited liability company, or partnership, who has  
28 intentionally failed to pay the tax is personally liable for  
29 the payment of the tax, interest, and penalty due and unpaid.  
30 However, [this section](#) shall not apply to taxes on accounts  
31 receivable. The dissolution of a corporation, association,  
32 limited liability company, or partnership shall not discharge a  
33 person's liability for failure to remit the tax due.

34 Sec. 163. Section 423.1, Code 2018, is amended by adding the  
35 following new subsection:

1     NEW SUBSECTION. 22A. "*Information services*" means  
2 delivering or providing access to databases or subscriptions  
3 to information through any tangible or electronic medium.  
4 "*Information services*" includes but is not limited to database  
5 files, research databases, genealogical information, and other  
6 similar information.

7     Sec. 164. Section 423.1, subsection 24, paragraph a, Code  
8 2018, is amended to read as follows:

9     a. "*Lease or rental*" means any transfer of possession  
10 or control of, or access to, tangible personal property or  
11 specified digital products for a fixed or indeterminate term  
12 for consideration. A "*lease or rental*" may include future  
13 options to purchase or extend.

14     Sec. 165. Section 423.1, subsection 37, Code 2018, is  
15 amended to read as follows:

16     37. "*Place of business*" means any warehouse, store,  
17 place, office, building, or structure where ~~goods, wares, or~~  
18 ~~merchandise~~ tangible personal property, specified digital  
19 products, or services are offered for sale at retail or where  
20 any taxable amusement is conducted, or each office where gas,  
21 water, heat, communication, or electric services are offered  
22 for sale at retail. When a retailer or amusement operator  
23 sells merchandise by means of vending machines or operates  
24 music or amusement devices by coin-operated machines at more  
25 than one location within the state, the office, building, or  
26 place where the books, papers, and records of the taxpayer are  
27 kept shall be deemed to be the taxpayer's place of business.

28     Sec. 166. Section 423.1, Code 2018, is amended by adding the  
29 following new subsection:

30     NEW SUBSECTION. 36A. "*Personal property*" includes but is  
31 not limited to tangible personal property and specified digital  
32 products.

33     Sec. 167. Section 423.1, subsection 43, paragraph a,  
34 subparagraph (3), Code 2018, is amended to read as follows:

35     (3) Taking possession or making first use of ~~digital goods~~

1 specified digital products, whichever comes first.

2 Sec. 168. Section 423.1, subsection 47, Code 2018, is  
3 amended to read as follows:

4 47. "Retailer" means and includes every person engaged  
5 in the business of selling tangible personal property,  
6 specified digital products, or taxable services at retail, or  
7 the furnishing of gas, electricity, water, or communication  
8 service, and tickets or admissions to places of amusement  
9 and athletic events or operating amusement devices or other  
10 forms of commercial amusement from which revenues are derived.  
11 However, when in the opinion of the director it is necessary  
12 for the efficient administration of **this chapter** to regard any  
13 agent or affiliate of a retailer as a retailer for purposes  
14 of this chapter, the director may so regard them, or when  
15 it is necessary for the efficient administration of this  
16 chapter to regard any salespersons, representatives, truckers,  
17 peddlers, ~~or~~ canvassers, or other persons as agents of the  
18 dealers, distributors, supervisors, employers, or persons under  
19 whom they operate or from whom they obtain tangible personal  
20 property, services, or specified digital products sold by  
21 them irrespective of whether or not they are making sales on  
22 their own behalf or on behalf of such dealers, distributors,  
23 supervisors, employers, or persons, the director may so regard  
24 them, and may regard such dealers, distributors, supervisors,  
25 employers, or persons as retailers for the purposes of this  
26 chapter. "Retailer" includes a seller obligated to collect  
27 sales or use tax, including any person obligated to collect  
28 sales and use tax pursuant to section 423.14A.

29 Sec. 169. Section 423.1, subsection 48, paragraph a, Code  
30 2018, is amended to read as follows:

31 a. "Retailer maintaining a place of business in this state"  
32 or any like term includes any of the following:

33 (1) A retailer having or maintaining within this state,  
34 directly or by a subsidiary, an office, distribution house,  
35 sales house, warehouse, or other place of business, or any

1 representative operating within this state under the authority  
2 of the retailer or its subsidiary, irrespective of whether that  
3 place of business or representative is located here permanently  
4 or temporarily, or whether the retailer or subsidiary is  
5 admitted to do business within this state pursuant to chapter  
6 490.

7 (2) A person obligated to collect sales and use tax pursuant  
8 to section 423.14A.

9 Sec. 170. Section 423.1, subsection 48, paragraph b,  
10 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended  
11 to read as follows:

12 A retailer shall be presumed to be maintaining a place of  
13 business in this state, ~~as defined in~~ for purposes of paragraph  
14 "a", subparagraph (1), if any person that has substantial nexus  
15 in this state, other than a person acting in its capacity as a  
16 common carrier, does any of the following:

17 Sec. 171. Section 423.1, subsection 48, paragraph b,  
18 subparagraph (1), subparagraph division (b), Code 2018, is  
19 amended to read as follows:

20 (b) Maintains an office, distribution facility, warehouse,  
21 storage place, or similar place of business in this state to  
22 facilitate the delivery of personal property or services sold  
23 by the retailer to the retailer's customers.

24 Sec. 172. Section 423.1, subsection 50, Code 2018, is  
25 amended to read as follows:

26 50. "Sales" or "sale" means any transfer, exchange, or  
27 barter, conditional or otherwise, in any manner or by any means  
28 whatsoever, for consideration, including but not limited to any  
29 such transfer, exchange, or barter on a subscription basis.

30 Sec. 173. Section 423.1, Code 2018, is amended by adding the  
31 following new subsection:

32 NEW SUBSECTION. 55A. "*Sold at retail in the state*" and  
33 other references to sales "in the state" or "in this state"  
34 includes but is not limited to sales sourced to this state  
35 under this chapter.

1     Sec. 174. Section 423.1, Code 2018, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION. 55B. *a. "Specified digital products"* means  
4 electronically transferred digital audio-visual works, digital  
5 audio works, digital books, or other digital products.

6     *b.* For purposes of this subsection:

7     (1) *"Digital audio-visual works"* means a series of related  
8 images which, when shown in succession, impart an impression of  
9 motion, together with accompanying sounds, if any.

10    (2) *"Digital audio works"* means works that result from  
11 the fixation of a series of musical, spoken, or other sounds,  
12 including but not limited to ringtones. For purposes of this  
13 subparagraph, *"ringtones"* means digitized sound files that are  
14 downloaded onto a device and that may be used to alert the  
15 customer with respect to a communication.

16    (3) *"Digital books"* means works that are generally  
17 recognized in the ordinary and usual sense as books.

18    (4) *"Electronically transferred"* means obtained or accessed  
19 by the purchaser by means other than tangible storage media,  
20 including but not limited to a specified digital product  
21 purchased through a computer software application, commonly  
22 referred to as an in-app purchase, or through another specified  
23 digital product, or through any other means.

24    (5) *"Other digital products"* means greeting cards, images,  
25 video or electronic games or entertainment, news or information  
26 products, and computer software applications.

27     Sec. 175. Section 423.1, Code 2018, is amended by adding the  
28 following new subsection:

29     NEW SUBSECTION. 57A. *"Subscription"* means any arrangement  
30 in which a person has the right or ability to access,  
31 receive, use, obtain, purchase, or otherwise acquire tangible  
32 personal property, specified digital products, or services  
33 on a permanent or less than permanent basis, regardless of  
34 whether the person actually accesses, receives, uses, obtains,  
35 purchases, or otherwise acquires such tangible personal

1 property, specified digital product, or service.

2 Sec. 176. Section 423.1, subsections 62, 63, and 64, Code  
3 2018, are amended to read as follows:

4 62. "Use" means and includes the exercise by any person of  
5 any right or power over or access to tangible personal property  
6 or a specified digital product incident to the ownership of  
7 that property, or any right or power over or access to the  
8 product or result of a service. A retailer's or building  
9 contractor's sale of manufactured housing for use in this  
10 state, whether in the form of tangible personal property or  
11 of realty, is a use of that property for the purposes of this  
12 chapter.

13 63. "Use tax" means the tax levied under subchapter III of  
14 this chapter ~~for which the retailer collects and remits tax to~~  
15 ~~the department~~.

16 64. "User" means the immediate recipient of the personal  
17 property or services who is entitled to exercise a right ~~of~~ or  
18 power over or access to the personal property, or the product  
19 or result of such services.

20 Sec. 177. Section 423.2, subsection 1, paragraph a,  
21 subparagraph (1), Code 2018, is amended to read as follows:

22 (1) Sales of engraving, ~~photography, retouching,~~ printing,  
23 and binding services.

24 Sec. 178. Section 423.2, subsection 6, Code 2018, is amended  
25 to read as follows:

26 6. ~~a.~~ The sales price of any of the following enumerated  
27 services is subject to the tax imposed by subsection 5:

28 a. alteration ~~Alteration~~ and garment repair; ~~armored.~~

29 b. Armored car; ~~vehiele.~~

30 c. Vehicle repair; ~~battery.~~

31 d. Battery, tire, and allied; ~~investment.~~

32 e. Investment counseling; ~~service.~~

33 f. Service charges of all financial institutions; ~~barber.~~

34 For the purposes of this paragraph, "financial institutions"

35 means all national banks, federally chartered savings and loan

1 associations, federally chartered savings banks, federally  
2 chartered credit unions, banks organized under chapter 524,  
3 credit unions organized under chapter 533, and all banks,  
4 savings banks, credit unions, and savings and loan associations  
5 chartered or otherwise created under the laws of any state and  
6 doing business in Iowa.

7 g. Barber and beauty; ~~boat.~~  
8 h. Boat repair; ~~vehicle.~~  
9 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~  
10 j. Campgrounds.  
11 k. Carpentry.  
12 l. Roof, shingle, and glass repair; ~~dance.~~  
13 m. Dance schools and dance studios; ~~dating.~~  
14 n. Dating services; ~~dry.~~  
15 o. Dry cleaning, pressing, dyeing, and laundering excluding  
16 the use of self-pay washers and dryers; ~~electrical.~~  
17 p. Electrical and electronic repair and installation;   
18 excavating.  
19 q. Excavating and grading; ~~farm.~~  
20 r. Farm implement repair of all kinds; ~~flying.~~  
21 s. Flying service; ~~furniture.~~  
22 t. Furniture, rug, carpet, and upholstery repair and  
23 cleaning; ~~fur.~~  
24 u. Fur storage and repair; ~~golf.~~  
25 v. Golf and country clubs and all commercial recreation;   
26 gun.  
27 w. Gun and camera repair; ~~house.~~  
28 x. House and building moving; ~~household.~~  
29 y. Household appliance, television, and radio repair;   
30 janitorial.  
31 z. Janitorial and building maintenance or cleaning; ~~jewelry.~~  
32 aa. Jewelry and watch repair; ~~lawn.~~  
33 ab. Lawn care, landscaping, and tree trimming and removal;   
34 ac. Personal transportation service, including but not  
35 limited to taxis, driver service, ride sharing service, rides

1 for hire, and limousine service, including driver, machine.  
2 ad. Machine operator, machine.  
3 ae. Machine repair of all kinds, motor.  
4 af. Motor repair, motorcycle.  
5 ag. Motorcycle, scooter, and bicycle repair, oilers.  
6 ah. Oilers and lubricators, office.  
7 ai. Office and business machine repair, painting.  
8 aj. Painting, papering, and interior decorating, parking.  
9 ak. Parking facilities, pay.  
10 al. Pay television, pet, including but not limited to  
11 streaming video, video on-demand, and pay-per-view.  
12 am. Pet grooming, pipe.  
13 an. Pipe fitting and plumbing, wood.  
14 ao. Wood preparation, executive.  
15 ap. Executive search agencies, private.  
16 aq. Private employment agencies, excluding services for  
17 placing a person in employment where the principal place of  
18 employment of that person is to be located outside of the  
19 state, reflexology, security.  
20 ar. Reflexology.  
21 as. Security and detective services, excluding private  
22 security and detective services furnished by a peace officer  
23 with the knowledge and consent of the chief executive officer  
24 of the peace officer's law enforcement agency, sewage.  
25 at. Sewage services for nonresidential commercial  
26 operations, sewing.  
27 au. Sewing and stitching, shoe.  
28 av. Shoe repair and shoeshine, sign.  
29 aw. Sign construction and installation, storage.  
30 ax. Storage of household goods, mini-storage, and  
31 warehousing of raw agricultural products, swimming.  
32 ay. Swimming pool cleaning and maintenance, tanning.  
33 az. Tanning beds or salons, taxidermy.  
34 ba. Taxidermy services, telephone.  
35 bb. Telephone answering service, test.

1 bc. Test laboratories, including mobile testing laboratories  
2 and field testing by testing laboratories, and excluding tests  
3 on humans or animals and excluding environmental testing  
4 services; ~~termite.~~

5 bd. Termite, bug, roach, and pest eradicators; ~~tin.~~

6 be. Tin and sheet metal repair; ~~transportation.~~

7 bf. Transportation service consisting of the rental of  
8 recreational vehicles or recreational boats, or the rental of  
9 vehicles subject to registration which are registered for a  
10 gross weight of thirteen tons or less for a period of sixty  
11 days or less, or the rental of aircraft for a period of sixty  
12 days or less; ~~.~~

13 bg. Turkish baths, massage, and reducing salons, excluding  
14 services provided by massage therapists licensed under chapter  
15 152C; ~~water.~~

16 bh. Water conditioning and softening; ~~weighing; welding;~~  
17 ~~well.~~

18 bi. Weighing.

19 bj. Welding.

20 bk. Well drilling; ~~wrapping.~~

21 bl. Wrapping, packing, and packaging of merchandise other  
22 than processed meat, fish, fowl, and vegetables; ~~wrecking.~~

23 bm. Wrecking service; ~~wrecker.~~

24 bn. Wrecker and towing.

25 ~~b.~~ For the purposes of ~~this subsection,~~ "financial  
26 institutions" means all national banks, federally chartered  
27 savings and loan associations, federally chartered savings  
28 banks, federally chartered credit unions, banks organized under  
29 ~~chapter 524,~~ credit unions organized under ~~chapter 533,~~ and  
30 all banks, savings banks, credit unions, and savings and loan  
31 associations chartered or otherwise created under the laws of  
32 any state and doing business in Iowa.

33 bo. Photography.

34 bp. Retouching.

35 bq. Storage of tangible or electronic files, documents, or

1 other records.

2 br. Information services.

3 bs. Services arising from or related to installing,  
4 maintaining, servicing, repairing, operating, upgrading, or  
5 enhancing specified digital products.

6 bt. Video game services and tournaments.

7 bu. Software as a service.

8 Sec. 179. Section 423.2, subsection 8, Code 2018, is amended  
9 by adding the following new paragraph:

10 NEW PARAGRAPH. *d.* A transaction that otherwise meets  
11 the definition of "*bundled transaction*" as defined in this  
12 subsection is not a bundled transaction if it is any of the  
13 following:

14 (1) The retail sale of tangible personal property and a  
15 service where the tangible personal property is essential  
16 to the use of the service, and is provided exclusively in  
17 connection with the service, and the true object of the  
18 transaction is the service.

19 (2) The retail sale of services where one service is  
20 provided that is essential to the use or receipt of a second  
21 service and the first service is provided exclusively in  
22 connection with the second service and the true object of the  
23 transaction is the second service.

24 (3) (a) A transaction that includes taxable products and  
25 nontaxable products and the purchase price or sales price of  
26 the taxable products is de minimis.

27 (b) For purposes of this subparagraph, "*de minimis*" means  
28 the seller's purchase or sales price of the taxable products  
29 is ten percent or less of the total purchase price or sales  
30 price of the bundled products. Sellers shall use either the  
31 purchase price or the sale price of the products to determine  
32 if the taxable products are de minimis. Sellers may not use  
33 a combination of the purchase price and sales price of the  
34 products to determine if the taxable products are de minimis.

35 (4) The retail sale of exempt tangible personal property and

1 taxable tangible personal property where all of the following  
2 apply:

3 (a) The transaction includes food and food ingredients,  
4 drugs, durable medical equipment, mobility enhancing equipment,  
5 prosthetic devices, or medical supplies.

6 (b) The seller's purchase price or sales price of the  
7 taxable tangible personal property is fifty percent or less  
8 of the total purchase price or sales price of the bundled  
9 tangible personal property. Sellers may not use a combination  
10 of the purchase price and sales price of the tangible personal  
11 property when making the fifty percent determination for a  
12 transaction.

13 Sec. 180. Section 423.2, Code 2018, is amended by adding the  
14 following new subsection:

15 NEW SUBSECTION. 9A. a. A tax of six percent is imposed on  
16 the sales price of specified digital products sold at retail  
17 in the state. The tax applies whether the purchaser obtains  
18 permanent use or less than permanent use of the specified  
19 digital product, whether the sale is conditioned or not  
20 conditioned upon continued payment from the purchaser, and  
21 whether the sale is on a subscription basis or is not on a  
22 subscription basis.

23 b. The sale of a digital code that may be used to obtain  
24 or access a specified digital product shall be taxed in the  
25 same manner as the specified digital product. For purposes  
26 of this paragraph, "digital code" means a method that permits  
27 a purchaser to obtain or access at a later date a specified  
28 digital product.

29 Sec. 181. Section 423.2, subsections 10, 11, and 12, Code  
30 2018, are amended by striking the subsections.

31 Sec. 182. NEW SECTION. 423.2A **Deposit and transfer of**  
32 **revenues.**

33 1. a. All revenues arising under the operation of the  
34 provisions of this subchapter II shall be deposited into the  
35 general fund of the state.

1     *b.* Subsequent to the deposit into the general fund of  
2 the state, the director shall credit an amount equal to the  
3 product of the sales tax rate imposed in section 423.2 times  
4 the sales price of the tangible personal property or services  
5 furnished to purchasers at a baseball and softball complex that  
6 has received an award under section 15F.207 and that meets  
7 the qualifications of section 423.4, subsection 10, into the  
8 baseball and softball complex sales tax rebate fund created  
9 under section 423.4, subsection 10, paragraph "e". The director  
10 shall credit the moneys beginning the first day of the quarter  
11 following July 1, 2016. This paragraph is repealed thirty  
12 days following the date on which five million dollars in total  
13 rebates have been provided under section 423.4, subsection 10.

14     2. Subsequent to the deposit into the general fund of the  
15 state pursuant to subsection 1, the department shall do the  
16 following in the order prescribed:

17     *a.* Transfer the revenues collected under chapter 423B.

18     *b.* Transfer from the remaining revenues the amounts required  
19 under Article VII, section 10, of the Constitution of the State  
20 of Iowa to the natural resources and outdoor recreation trust  
21 fund created in section 461.31, if applicable.

22     *c.* Transfer one-sixth of the remaining revenues to the  
23 secure an advanced vision for education fund created in section  
24 423F.2. This paragraph "c" is repealed December 31, 2029.

25     *d.* Transfer to the baseball and softball complex sales tax  
26 rebate fund that portion of the sales tax receipts described  
27 in subsection 1, paragraph "b", remaining after the transfers  
28 required under paragraphs "a", "b", and "c" of this subsection  
29 2. This paragraph is repealed thirty days following the date  
30 on which five million dollars in total rebates have been  
31 provided under section 423.4, subsection 10.

32     *e.* Beginning the first day of the calendar quarter  
33 beginning on the reinvestment district's commencement date,  
34 subject to remittance limitations established by the economic  
35 development authority board pursuant to section 15J.4,

1 subsection 3, transfer to a district account created in the  
2 state reinvestment district fund for each reinvestment district  
3 established under chapter 15J, the amount of new state sales  
4 tax revenue, determined in section 15J.5, subsection 1,  
5 paragraph "b", in the district, that remains after the prior  
6 transfers required under this subsection 2. Such transfers  
7 shall cease pursuant to section 15J.8.

8 *f.* Subject to the limitation on the calculation and  
9 deposit of sales tax increment revenues in section 418.12,  
10 beginning the first day of the quarter following adoption  
11 of the resolution pursuant to section 418.4, subsection 3,  
12 paragraph "d", transfer to the account created in the sales tax  
13 increment fund for each governmental entity approved to use  
14 sales tax increment revenues under chapter 418, that portion  
15 of the increase in sales tax revenue, determined in section  
16 418.11, subsection 2, paragraph "d", in the applicable area of  
17 the governmental entity, that remains after the other transfers  
18 required under this subsection 2.

19 *g.* Beginning the first day of the quarter following July 1,  
20 2014, transfer to the raceway facility tax rebate fund created  
21 in section 423.4, subsection 11, paragraph "e", that portion  
22 of the sales tax receipts collected and remitted upon sales of  
23 tangible personal property or services furnished by retailers  
24 at a raceway facility meeting the qualifications of section  
25 423.4, subsection 11, that remains after the transfers required  
26 in paragraphs "a" through "f" of this subsection 2. This  
27 paragraph is repealed June 30, 2025, or thirty days following  
28 the date on which an amount of total rebates specified in  
29 section 423.4, subsection 11, paragraph "c", subparagraph (4),  
30 subparagraph division (a) or (b), whichever is applicable,  
31 has been provided or thirty days following the date on which  
32 rebates cease as provided in section 423.4, subsection 11,  
33 paragraph "c", subparagraph (5), whichever is earliest.

34 3. Of the amount of sales tax revenue actually transferred  
35 per quarter pursuant to subsection 2, paragraphs "e" and "f",

1 the department shall retain an amount equal to the actual cost  
2 of administering the transfers under subsection 2, paragraphs  
3 "e" and "f", or twenty-five thousand dollars, whichever is  
4 less. The amount retained by the department pursuant to this  
5 subsection shall be divided pro rata each quarter between  
6 the amounts that would have been transferred pursuant to  
7 subsection 2, paragraphs "e" and "f", without the deduction  
8 made by operation of this subsection. Revenues retained by  
9 the department pursuant to this subsection shall be considered  
10 repayment receipts as defined in section 8.2.

11 Sec. 183. Section 423.3, subsections 1 and 17, Code 2018,  
12 are amended to read as follows:

13 1. The sales price from sales of tangible personal property,  
14 specified digital products, and services furnished which this  
15 state is prohibited from taxing under the Constitution or laws  
16 of the United States or under the Constitution of this state.

17 17. The sales price of all ~~goods, wares, or merchandise,~~  
18 tangible personal property, specified digital products, or  
19 services, used for educational purposes sold to any private  
20 nonprofit educational institution in this state. For the  
21 purpose of **this subsection**, "*educational institution*" means an  
22 institution which primarily functions as a school, college,  
23 or university with students, faculty, and an established  
24 curriculum. The faculty of an educational institution must be  
25 associated with the institution and the curriculum must include  
26 basic courses which are offered every year. "*Educational*  
27 *institution*" includes an institution primarily functioning as  
28 a library.

29 Sec. 184. Section 423.3, subsection 18, unnumbered  
30 paragraph 1, Code 2018, is amended to read as follows:

31 The sales price of tangible personal property or specified  
32 digital products sold, or of services furnished, to the  
33 following nonprofit corporations:

34 Sec. 185. Section 423.3, subsections 20, 21, 22, 23, 26, 27,  
35 28, and 31, Code 2018, are amended to read as follows:

1 20. The sales price of tangible personal property or  
2 specified digital products sold, or of services furnished, to  
3 nonprofit legal aid organizations.

4 21. The sales price of ~~goods, wares, or merchandise,~~  
5 tangible personal property, of specified digital products,  
6 or of services, used for educational, scientific, historic  
7 preservation, or aesthetic purpose sold to a nonprofit private  
8 museum.

9 22. The sales price from sales of ~~goods, wares, or~~  
10 ~~merchandise,~~ tangible personal property, of specified digital  
11 products, or from services furnished, to a nonprofit private  
12 art center to be used in the operation of the art center.

13 23. The sales price of tangible personal property or  
14 specified digital products sold, or of services furnished, by a  
15 fair organized under [chapter 174](#).

16 26. The sales price of tangible personal property or  
17 specified digital products sold, or of services furnished, to a  
18 statewide nonprofit organ procurement organization, as defined  
19 in [section 142C.2](#).

20 27. The sales price of tangible personal property or  
21 specified digital products sold, or of services furnished, to a  
22 nonprofit hospital licensed pursuant to [chapter 135B](#) to be used  
23 in the operation of the hospital.

24 28. The sales price of tangible personal property or  
25 specified digital products sold, or of services furnished, to  
26 a freestanding nonprofit hospice facility which operates a  
27 hospice program as defined in [42 C.F.R. ch. IV, §418.3](#), which  
28 property or services are to be used in the hospice program.

29 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~  
30 tangible personal property or specified digital products sold  
31 to and of services furnished, and used for public purposes  
32 sold to a tax-certifying or tax-levying body of the state or  
33 a governmental subdivision of the state, including regional  
34 transit systems, as defined in [section 324A.1](#), the state board  
35 of regents, department of human services, state department of

1 transportation, any municipally owned solid waste facility  
2 which sells all or part of its processed waste as fuel to a  
3 municipally owned public utility, and all divisions, boards,  
4 commissions, agencies, or instrumentalities of state, federal,  
5 county, or municipal government which have no earnings going to  
6 the benefit of an equity investor or stockholder, except any  
7 of the following:

8 ~~(1)~~ a. The sales price of ~~goods, wares, or merchandise~~  
9 tangible personal property or specified digital products sold  
10 to, or of services furnished, and used by or in connection with  
11 the operation of any municipally owned public utility engaged  
12 in selling gas, electricity, heat, pay television service, or  
13 communication service to the general public.

14 ~~(2)~~ b. The sales price of furnishing of sewage services to  
15 a county or municipality on behalf of nonresidential commercial  
16 operations.

17 ~~(3)~~ c. The furnishing of solid waste collection and  
18 disposal service to a county or municipality on behalf of  
19 nonresidential commercial operations located within the county  
20 or municipality.

21 ~~b.~~ ~~The exemption provided by this subsection shall also~~  
22 ~~apply to all such sales of goods, wares, or merchandise or of~~  
23 ~~services furnished and subject to use tax.~~

24 Sec. 186. Section 423.3, subsection 32, unnumbered  
25 paragraph 1, Code 2018, is amended to read as follows:

26 The sales price of tangible personal property or specified  
27 digital products sold, or of services furnished, by a county or  
28 city. This exemption does not apply to any of the following:

29 Sec. 187. Section 423.3, subsection 36, unnumbered  
30 paragraph 1, Code 2018, is amended to read as follows:

31 The sales price from sales of tangible personal property  
32 or specified digital products or of the sale or furnishing of  
33 electrical energy, natural or artificial gas, or communication  
34 service to another state or political subdivision of another  
35 state if the other state provides a similar reciprocal

1 exemption for this state and political subdivision of this  
2 state.

3 Sec. 188. Section 423.3, subsection 39, paragraph a,  
4 subparagraphs (1) and (2), Code 2018, are amended to read as  
5 follows:

6 (1) Sales of tangible personal property or specified  
7 digital products, or the furnishing of services, of a  
8 nonrecurring nature, by the owner, if the seller, at the time  
9 of the sale, is not engaged for profit in the business of  
10 selling tangible personal property, specified digital products,  
11 or services taxed under [section 423.2](#).

12 (2) The sale of all or substantially all of the tangible  
13 personal property, or specified digital products, or services  
14 held or used by a seller in the course of the seller's trade or  
15 business for which the seller is required to hold a sales tax  
16 permit when the seller sells or otherwise transfers the trade  
17 or business to another person who shall engage in a similar  
18 trade or business.

19 Sec. 189. Section 423.3, subsection 39, Code 2018, is  
20 amended by adding the following new paragraph:

21 NEW PARAGRAPH. c. The exemption under this subsection does  
22 not apply to sales for which a person is required pursuant to  
23 section 423.14A to collect sales and use tax.

24 Sec. 190. Section 423.3, subsection 47, paragraph d,  
25 subparagraph (1), Code 2018, is amended to read as follows:

26 (1) "*Commercial enterprise*" ~~includes~~ means businesses  
27 and manufacturers conducted for profit ~~and centers for data~~  
28 ~~processing services to,~~ for-profit and nonprofit insurance  
29 companies, and for-profit and nonprofit financial institutions,  
30 ~~businesses, and manufacturers,~~ but excludes other nonprofits  
31 and professions and occupations and nonprofit organizations.

32 Sec. 191. Section 423.3, subsection 47, paragraph d,  
33 subparagraph (4), Code 2018, is amended by striking the  
34 subparagraph and inserting in lieu thereof the following:

35 (4) (a) "*Manufacturer*" means a business that primarily

1 purchases, receives, or holds personal property of any  
2 description for the purpose of adding to its value by a process  
3 of manufacturing with a view to selling the property for gain  
4 or profit.

5 (b) "*Manufacturer*" includes contract manufacturers. A  
6 contract manufacturer is a manufacturer that otherwise falls  
7 within the definition of manufacturer, except that a contract  
8 manufacturer does not sell the tangible personal property  
9 the contract manufacturer processes on behalf of other  
10 manufacturers.

11 (c) "*Manufacturer*" does not include persons who are not  
12 commonly understood as manufacturers, including but not limited  
13 to persons engaged in any of the following activities:

14 (i) Construction contracting.

15 (ii) Repairing tangible personal property or real property.

16 (iii) Providing health care.

17 (iv) Farming, including cultivating agricultural products  
18 and raising livestock.

19 (v) Transporting for hire.

20 (d) For purposes of this subparagraph:

21 (i) "*Business*" means those businesses conducted for  
22 profit, but excludes professions and occupations and nonprofit  
23 organizations.

24 (ii) "*Manufacturing*" means those activities commonly  
25 understood within the ordinary meaning of the term, and shall  
26 include:

27 (A) Refining.

28 (B) Purifying.

29 (C) Combining of different materials.

30 (D) Packing of meats.

31 (E) Activities subsequent to the extractive process of  
32 quarrying or mining, such as crushing, washing, sizing, or  
33 blending of aggregate materials.

34 (iii) "*Manufacturing*" does not include activities occurring  
35 on premises primarily used to make retail sales.

1     Sec. 192. Section 423.3, subsection 63, Code 2018, is  
2 amended to read as follows:

3     63. The sales price from the sale of tangible personal  
4 property, specified digital products, or services which will be  
5 given as prizes to players in games of skill, games of chance,  
6 raffles, and bingo games as defined in [chapter 99B](#).

7     Sec. 193. Section 423.3, subsections 65, 66, and 67, Code  
8 2018, are amended by striking the subsections.

9     Sec. 194. Section 423.3, subsection 78, paragraph a,  
10 unnumbered paragraph 1, Code 2018, is amended to read as  
11 follows:

12     The sales price from ~~sales or rental~~ the sale of tangible  
13 personal property, specified digital products, or services  
14 rendered by any entity where the profits from the ~~sales or~~  
15 ~~rental~~ sale of the tangible personal property, specified  
16 digital products, or services rendered, are used by or donated  
17 to a nonprofit entity that is exempt from federal income  
18 taxation pursuant to section 501(c)(3) of the Internal Revenue  
19 Code, a government entity, or a nonprofit private educational  
20 institution, and where the entire proceeds from the ~~sales,~~  
21 ~~rental,~~ sale or services are expended for any of the following  
22 purposes:

23     Sec. 195. Section 423.3, subsection 79, Code 2018, is  
24 amended to read as follows:

25     79. The sales price from the sale ~~or rental~~ of tangible  
26 personal property or specified digital products, or from  
27 services furnished, to a recognized community action agency as  
28 provided in [section 216A.93](#) to be used for the purposes of the  
29 agency.

30     Sec. 196. Section 423.3, Code 2018, is amended by adding the  
31 following new subsections:

32     NEW SUBSECTION. 103. a. The sales price of specified  
33 digital products and of prewritten computer software sold, and  
34 of enumerated services described in section 423.2, subsection  
35 6, paragraphs “*bq*”, “*br*”, “*bs*”, and “*bu*” furnished, to a

1 commercial enterprise for use exclusively by the commercial  
2 enterprise. The use of prewritten computer software, a  
3 specified digital product, or service fails to qualify as a  
4 use exclusively by the commercial enterprise if its use for  
5 noncommercial purposes is more than de minimis.

6 *b.* For purposes of this subsection:

7 (1) "*Commercial enterprise*" means the same as defined in  
8 section 423.3, subsection 47, paragraph "d", subparagraph (1),  
9 but also includes professions and occupations.

10 (2) "*De minimis*" and "*noncommercial purposes*" shall be  
11 defined by the director by rule.

12 NEW SUBSECTION. 104. The sales price of specified digital  
13 products sold to a non-end user. For purposes of this  
14 subsection, "*non-end user*" means a person who receives by  
15 contract a specified digital product for further commercial  
16 broadcast, rebroadcast, transmission, retransmission,  
17 licensing, relicensing, distribution, redistribution, or  
18 exhibition of the product, in whole or in part, to another  
19 person.

20 NEW SUBSECTION. 105. The sales price for transportation  
21 services furnished by emergency or nonemergency medical  
22 transportation, by a paratransit service, and by a public  
23 transit system as defined in section 324A.1.

24 Sec. 197. Section 423.4, subsection 3, unnumbered paragraph  
25 1, Code 2018, is amended to read as follows:

26 A relief agency may apply to the director for refund of the  
27 amount of sales or use tax imposed and paid upon sales to it  
28 of any ~~goods, wares, merchandise,~~ tangible personal property  
29 or specified digital products, or services furnished, used for  
30 free distribution to the poor and needy.

31 Sec. 198. Section 423.4, subsection 3, paragraph a,  
32 subparagraph (1), Code 2018, is amended to read as follows:

33 (1) On forms furnished by the department, and filed within  
34 the time as the director shall provide by rule, the relief  
35 agency shall report to the department the total amount or

1 amounts, valued in money, expended directly or indirectly  
2 for ~~goods, wares, merchandise,~~ tangible personal property or  
3 specified digital products, or services furnished, used for  
4 free distribution to the poor and needy.

5 Sec. 199. Section 423.4, subsection 10, paragraph e, Code  
6 2018, is amended to read as follows:

7 e. There is established within the state treasury under the  
8 control of the department a baseball and softball complex sales  
9 tax rebate fund consisting of the amount of state sales tax  
10 revenues transferred pursuant to section 423.2, subsection 11,  
11 paragraph "b", subparagraph (4) 423.2A, subsection 2, paragraph  
12 "d". An account is created within the fund for each baseball  
13 and softball complex receiving an award under section 15F.207  
14 and meeting the qualifications of this subsection. Moneys  
15 in the fund shall only be used to provide rebates of state  
16 sales tax pursuant to this subsection, and only the state sales  
17 tax revenues in the baseball and softball complex rebate fund  
18 are subject to rebate under this subsection. The amount of  
19 rebates paid from each baseball and softball complex's account  
20 within the fund shall not exceed the amount of the award under  
21 section 15F.207, and not more than five million dollars in  
22 total rebates shall be paid from the fund. Any moneys in the  
23 fund which represent state sales tax revenue for which the time  
24 period in paragraph "c" for receiving a rebate has expired,  
25 or which otherwise represent state sales tax revenue that has  
26 become ineligible for rebate pursuant to this subsection, shall  
27 immediately revert to the general fund of this state.

28 Sec. 200. Section 423.4, subsection 11, paragraph b,  
29 subparagraph (1), Code 2018, is amended to read as follows:

30 (1) Sales tax imposed and collected by retailers upon  
31 sales of tangible personal property or services furnished to  
32 purchasers at the raceway facility. Notwithstanding the state  
33 sales tax imposed in section 423.2, a sales tax rebate issued  
34 pursuant to this subparagraph shall not exceed the amounts  
35 transferred to the raceway facility tax rebate fund pursuant to

1 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~  
2 423.2A, subsection 2, paragraph "g".

3 Sec. 201. Section 423.4, subsection 11, paragraph b,  
4 subparagraph (2), subparagraph division (c), Code 2018, is  
5 amended to read as follows:

6 (c) Notwithstanding the state sales tax imposed in section  
7 423.2, a sales tax rebate issued pursuant to this subparagraph  
8 shall not exceed the amounts remaining after the transfers  
9 required under section 423.2, subsection 11, paragraph "b",  
10 ~~subparagraphs (1) through (6)~~ 423.2A, subsection 2, paragraphs  
11 "a" through "f", have been made from the total amount of sales  
12 tax for which the rebate is requested.

13 Sec. 202. Section 423.4, subsection 11, paragraph e, Code  
14 2018, is amended to read as follows:

15 e. There is established within the state treasury under  
16 the control of the department a raceway facility tax rebate  
17 fund consisting of the amount of state sales tax revenues  
18 transferred pursuant to section 423.2, subsection 11, paragraph  
19 ~~"b", subparagraph (7)~~ 423.2A, subsection 2, paragraph "g". An  
20 account is created within the fund for each raceway facility  
21 meeting the qualifications of this subsection. Moneys in the  
22 fund shall only be used to provide rebates of state sales tax  
23 pursuant to paragraph "b", subparagraph (1). The total amount  
24 of rebates paid from the fund shall not exceed the amount  
25 specified in paragraph "c", subparagraph (4), subparagraph  
26 division (a) or (b), whichever is applicable. Any moneys in  
27 the fund which represent state sales tax revenue for which the  
28 time period in paragraph "c" for receiving a rebate has expired,  
29 or which otherwise represent state sales tax revenue that has  
30 become ineligible for rebate pursuant to this subsection shall  
31 immediately revert to the general fund of the state.

32 Sec. 203. Section 423.5, subsection 1, paragraph a, Code  
33 2018, is amended to read as follows:

34 a. The use in this state of tangible personal property  
35 as defined in section 423.1, including aircraft subject to

1 registration under [section 328.20](#), purchased for use in this  
2 state. For the purposes of [this subchapter](#), the furnishing  
3 or use of the following services is also treated as the use  
4 of tangible personal property: optional service or warranty  
5 contracts, except residential service contracts regulated under  
6 chapter 523C, vulcanizing, recapping, or retreading services,  
7 engraving, ~~photography, retouching,~~ printing, or binding  
8 services, and communication service when furnished or delivered  
9 to consumers or users within this state.

10 Sec. 204. Section 423.5, subsection 1, paragraph d, Code  
11 2018, is amended to read as follows:

12 *d.* Purchases of tangible personal property or specified  
13 digital products made from the government of the United States  
14 or any of its agencies by ultimate consumers shall be subject  
15 to the tax imposed by [this section](#). Services purchased from  
16 the same source or sources shall be subject to the service  
17 tax imposed by [this subchapter](#) and apply to the user of the  
18 services.

19 Sec. 205. Section 423.5, subsection 1, Code 2018, is amended  
20 by adding the following new paragraph:

21 NEW PARAGRAPH. *f.* (1) The use in this state of specified  
22 digital products. The tax applies whether the purchaser  
23 obtains permanent use or less than permanent use of the  
24 specified digital product, whether the use is conditioned or  
25 not conditioned upon continued payment from the purchaser,  
26 and whether the use is on a subscription basis or is not on a  
27 subscription basis.

28 (2) The use of a digital code that may be used to obtain  
29 or access a specified digital product shall be taxed in the  
30 same manner as the specified digital product. For purposes of  
31 this subparagraph, "*digital code*" means the same as defined in  
32 section 423.2, subsection 9A.

33 Sec. 206. Section 423.5, subsection 3, Code 2018, is amended  
34 to read as follows:

35 3. For the purpose of the proper administration of the use

1 tax and to prevent its evasion, evidence that tangible personal  
2 property ~~was~~ or specified digital products were sold by any  
3 person for delivery in this state shall be prima facie evidence  
4 that such tangible personal property ~~was~~ or specified digital  
5 products were sold for use in this state.

6 Sec. 207. Section 423.5, subsection 4, Code 2018, is amended  
7 by striking the subsection.

8 Sec. 208. Section 423.6, unnumbered paragraph 1, Code 2018,  
9 is amended to read as follows:

10 The use in this state of the following tangible personal  
11 property, specified digital products, and services is exempted  
12 from the tax imposed by [this subchapter](#):

13 Sec. 209. Section 423.6, subsections 1, 2, 4, and 6, Code  
14 2018, are amended to read as follows:

15 1. Tangible personal property, specified digital products,  
16 and enumerated services, the sales price from the sale of which  
17 are required to be included in the measure of the sales tax, if  
18 that tax has been paid to the department or the retailer. This  
19 exemption does not include vehicles subject to registration or  
20 subject only to the issuance of a certificate of title.

21 2. The sale of tangible personal property, specified  
22 digital products, or the furnishing of services in the regular  
23 course of business.

24 4. All articles of tangible personal property and all  
25 specified digital products brought into the state of Iowa by a  
26 nonresident individual for the individual's use or enjoyment  
27 while within the state.

28 6. Tangible personal property, specified digital products,  
29 or services the sales price of which is exempt from the sales  
30 tax under [section 423.3](#), except section 423.3, subsections 39  
31 and 73, as it relates to the sale, but not the lease or rental,  
32 of vehicles subject only to the issuance of a certificate of  
33 title and as it relates to aircraft subject to registration  
34 under [section 328.20](#).

35 Sec. 210. Section 423.14, subsection 2, paragraphs b and c,

1 Code 2018, are amended to read as follows:

2     **b.** The tax upon the use of all tangible personal property  
3 and specified digital products other than that enumerated in  
4 paragraph "a", which is sold by a seller who is a retailer  
5 ~~maintaining a place of business in this state, or by such other~~  
6 ~~retailer or agent as the director shall authorize pursuant to~~  
7 section 423.30 or its agent that is not otherwise required  
8 to collect sales tax under the provisions of this chapter,  
9 shall be collected by the retailer or agent and remitted to the  
10 department, pursuant to the provisions of paragraph "e", and  
11 sections 423.24, 423.29, 423.30, 423.32, and 423.33.

12     **c.** The tax upon the use of all tangible personal property  
13 and specified digital products not paid pursuant to paragraphs  
14 "a" and "b" shall be paid to the department directly by any  
15 person using the property within this state, pursuant to the  
16 provisions of section 423.34.

17     Sec. 211. NEW SECTION. **423.14A Persons required to collect**  
18 **sales and use tax — supplemental conditions, requirements, and**  
19 **responsibilities.**

20     1. For purposes of this section:

21     **a.** "*Iowa sales*" means sales of tangible personal property,  
22 services, or specified digital products sourced to this state  
23 pursuant to section 423.15, 423.16, 423.17, 423.19, or 423.20,  
24 or that are otherwise sold in this state or for delivery into  
25 this state.

26     **b.** (1) "*Marketplace facilitator*" means a person, including  
27 any affiliate of the person, who facilitates a retail sale by  
28 satisfying subparagraph divisions (a) and (b) as follows:

29         (a) The person directly or indirectly does any of the  
30 following:

31             (i) Lists, makes available, or advertises tangible personal  
32 property, services, or specified digital products for sale  
33 by a marketplace seller in a marketplace owned, operated, or  
34 controlled by the person.

35             (ii) Facilitates the sale of a marketplace seller's

1 product through a marketplace by transmitting or otherwise  
2 communicating an offer or acceptance of a retail sale of  
3 tangible personal property, services, or specified digital  
4 products between a marketplace seller and a purchaser in a  
5 forum including a shop, store, booth, catalog, internet site,  
6 or similar forum.

7 (iii) Owns, rents, licenses, makes available, or operates  
8 any electronic or physical infrastructure or any property,  
9 process, method, copyright, trademark, or patent that connects  
10 marketplace sellers to purchasers for the purpose of making  
11 retail sales of tangible personal property, services, or  
12 specified digital products.

13 (iv) Provides a marketplace for making retail sales of  
14 tangible personal property, services, or specified digital  
15 products, or otherwise facilitates retail sales of tangible  
16 personal property, services, or specified digital products,  
17 regardless of ownership or control of the tangible personal  
18 property, services, or specified digital products that are the  
19 subject of the retail sale.

20 (v) Provides software development or research and  
21 development activities related to any activity described in  
22 this subparagraph division (a), if such software development or  
23 research and development activities are directly related to the  
24 physical or electronic marketplace provided by a marketplace  
25 provider.

26 (vi) Provides or offers fulfillment or storage services for  
27 a marketplace seller.

28 (vii) Sets prices for a marketplace seller's sale of  
29 tangible personal property, services, or specified digital  
30 products.

31 (viii) Provides or offers customer service to a marketplace  
32 seller or a marketplace seller's customers, or accepts or  
33 assists with taking orders, returns, or exchanges of tangible  
34 personal property, services, or specified digital products sold  
35 by a marketplace seller.

1 (ix) Brands or otherwise identifies sales as those of the  
2 marketplace facilitator.

3 (b) The person directly or indirectly does any of the  
4 following:

5 (i) Collects the sales price or purchase price of a retail  
6 sale of tangible personal property, services, or specified  
7 digital products.

8 (ii) Provides payment processing services for a retail sale  
9 of tangible personal property, services, or specified digital  
10 products.

11 (iii) Charges, collects, or otherwise receives selling  
12 fees, listing fees, referral fees, closing fees, fees for  
13 inserting or making available tangible personal property,  
14 services, or specified digital products on a marketplace, or  
15 other consideration from the facilitation of a retail sale of  
16 tangible personal property, services, or specified digital  
17 products, regardless of ownership or control of the tangible  
18 personal property, services, or specified digital products that  
19 are the subject of the retail sale.

20 (iv) Through terms and conditions, agreements, or  
21 arrangements with a third party, collects payment in connection  
22 with a retail sale of tangible personal property, services,  
23 or specified digital products from a purchaser and transmits  
24 that payment to the marketplace seller, regardless of whether  
25 the person collecting and transmitting such payment receives  
26 compensation or other consideration in exchange for the  
27 service.

28 (v) Provides a virtual currency that purchasers are allowed  
29 or required to use to purchase tangible personal property,  
30 services, or specified digital products.

31 (2) "*Marketplace facilitator*" includes but is not limited  
32 to a person who satisfies the requirements of this paragraph  
33 through the ownership, operation, or control of a digital  
34 distribution service, digital distribution platform, online  
35 portal, or application store.

1 (3) A *“rental platform”*, as defined in section 423C.2, that  
2 meets the requirements described in section 423C.3, subsection  
3 3, paragraph *“c”*, subparagraph (2), shall not be considered  
4 a *“marketplace facilitator”* with respect to any sale of a  
5 transportation service under section 423.2, subsection 6,  
6 paragraph *“bf”*, or section 423.5, subsection 1, paragraph *“e”*,  
7 consisting of the rental of vehicles subject to registration  
8 which are registered for a gross weight of thirteen tons or  
9 less for a period of sixty days or less.

10 *c. “Marketplace seller”* means any of the following:

11 (1) A seller that makes retail sales through any physical  
12 or electronic marketplace owned, operated, or controlled by a  
13 marketplace facilitator, even if such seller would not have  
14 been required to collect and remit sales and use tax had the  
15 sale not been made through such marketplace.

16 (2) A seller that makes retail sales resulting from a  
17 referral by a referrer, even if such seller would not have been  
18 required to collect and remit sales and use tax had the sale  
19 not been made through such referrer.

20 2. In addition to and not in lieu of any application of  
21 this chapter to sellers who are retailers and sellers who are  
22 retailers maintaining a place of business in this state, any  
23 person described in subsection 3, or the person’s agents,  
24 shall be considered a retailer in this state and a retailer  
25 maintaining a place of business in this state for purposes of  
26 this chapter on or after January 1, 2019, and shall be subject  
27 to all requirements of this chapter imposed on retailers and  
28 retailers maintaining a place of business in this state,  
29 including but not limited to the requirement to collect and  
30 remit sales and use taxes pursuant to sections 423.14 and  
31 423.29, and local option taxes under chapter 423B.

32 3. *a.* A retailer that has gross revenue from Iowa sales  
33 equal to or exceeding one hundred thousand dollars for an  
34 immediately preceding calendar year or a current calendar year.

35 *b.* A retailer that makes Iowa sales in two hundred or more

1 separate transactions for an immediately preceding calendar  
2 year or a current calendar year.

3     *c.* (1) A retailer that owns, licenses, or uses software  
4 or data files that are installed or stored on property used  
5 in this state. For purposes of this subparagraph, "*software*  
6 *or data files*" include but are not limited to software that is  
7 affirmatively downloaded by a user, software that is downloaded  
8 as a result of the use of a website, preloaded software, and  
9 cookies.

10     (2) A retailer that uses in-state software to make Iowa  
11 sales. For purposes of this subparagraph, "*in-state software*"  
12 means computer software that is installed or stored on property  
13 located in this state or that is distributed within this state  
14 for the purpose of facilitating a sale by the retailer.

15     (3) A retailer that provides, or enters into an agreement  
16 with another person to provide, a content distribution network  
17 in this state to facilitate, accelerate, or enhance the  
18 delivery of the retailer's internet site to purchasers. For  
19 purposes of this subparagraph, "*content distribution network*"  
20 means a system of distributed servers that deliver internet  
21 sites and other internet content to a user based on the  
22 geographic location of the user, the origin of the internet  
23 site or internet content, and a content delivery server.

24     (4) This paragraph "*c*" shall not apply to a retailer that  
25 has gross revenue from Iowa sales of less than one hundred  
26 thousand dollars for an immediately preceding calendar year or  
27 a current calendar year.

28     *d.* (1) A marketplace facilitator that makes or facilitates  
29 Iowa sales on its own behalf or for one or more marketplace  
30 sellers equal to or exceeding one hundred thousand dollars,  
31 or in two hundred or more separate transactions, for an  
32 immediately preceding calendar year or a current calendar year.

33     (2) A marketplace facilitator shall collect sales and  
34 use tax on the entire sales price or purchase price paid by  
35 a purchaser on each Iowa sale subject to sales and use tax

1 that is made or facilitated by the marketplace facilitator,  
2 regardless of whether the marketplace seller for whom an Iowa  
3 sale is made or facilitated has or is required to have a  
4 retail sales tax permit or would have been required to collect  
5 sales and use tax had the sale not been facilitated by the  
6 marketplace facilitator, and regardless of the amount of the  
7 sales price or purchase price that will ultimately accrue  
8 to or benefit the marketplace facilitator, the marketplace  
9 seller, or any other person. This sales and use tax collection  
10 responsibility of a marketplace facilitator applies but shall  
11 not be limited to sales facilitated through a computer software  
12 application, commonly referred to as in-app purchases, or  
13 through another specified digital product.

14 (3) A marketplace facilitator shall be relieved of  
15 liability under this paragraph "d" for failure to collect and  
16 remit sales and use tax on an Iowa sale made or facilitated for  
17 a marketplace seller under the following circumstances and up  
18 to the amounts permitted under the following circumstances:

19 (a) If the marketplace facilitator demonstrates to the  
20 satisfaction of the department that the marketplace facilitator  
21 has made a reasonable effort to obtain accurate information  
22 from the marketplace seller about a retail sale and that  
23 the failure to collect and remit the correct tax was due to  
24 incorrect information provided to the marketplace facilitator  
25 by the marketplace seller, then the marketplace facilitator  
26 shall be relieved of liability for that retail sale. This  
27 subparagraph division does not apply with regard to a retail  
28 sale for which the marketplace facilitator is the seller or if  
29 the marketplace facilitator and the seller are affiliates. For  
30 Iowa sales for which a marketplace facilitator is relieved of  
31 liability under this subparagraph division, the marketplace  
32 seller and purchaser are liable for any amount of uncollected,  
33 unpaid, or unremitted tax.

34 (b) (i) Subject to the limitation in subparagraph  
35 subdivision (ii), if the marketplace facilitator demonstrates

1 to the satisfaction of the department that the Iowa sale was  
2 made or facilitated for a marketplace seller prior to January  
3 1, 2026, through a marketplace of the marketplace facilitator,  
4 that the marketplace facilitator is not the seller and that  
5 the marketplace facilitator and the seller are not affiliates,  
6 and that the failure to collect sales and use tax was due to  
7 an error other than an error in sourcing the sale. To the  
8 extent that a marketplace facilitator is relieved of liability  
9 for collection of sales and use tax under this subparagraph  
10 division, the marketplace seller for whom the marketplace  
11 facilitator has made or facilitated the Iowa sale is also  
12 relieved of liability. The department may determine the manner  
13 in which a marketplace facilitator or marketplace seller shall  
14 claim the liability relief provided in this subparagraph  
15 division.

16 (ii) The liability relief provided in subparagraph  
17 subdivision (i) shall not exceed the following percentage  
18 of the total sales and use tax due on Iowa sales made or  
19 facilitated by a marketplace facilitator for marketplace  
20 sellers and sourced to this state during a calendar year,  
21 which Iowa sales shall not include sales by the marketplace  
22 facilitator or affiliates of the marketplace facilitator:

23 (A) For Iowa sales made or facilitated during the 2019  
24 calendar year, ten percent.

25 (B) For Iowa sales made or facilitated during calendar years  
26 2020 through 2024, five percent.

27 (C) For Iowa sales made or facilitated during the 2025  
28 calendar year, three percent.

29 (c) Nothing in this subparagraph (3) shall be construed to  
30 relieve any person of liability for collecting but failing to  
31 remit to the department sales and use tax.

32 (d) A marketplace facilitator is deemed to be an agent  
33 of any marketplace seller making retail sales through a  
34 marketplace of the marketplace facilitator.

35 e. (1) A referrer if, for any immediately preceding

1 calendar year or a current calendar year, one hundred thousand  
2 dollars or more in Iowa sales or two hundred or more separate  
3 Iowa sales transactions result from referrals from a platform  
4 of the referrer. A referrer is not required to collect and  
5 remit sales and use tax pursuant to this paragraph if the  
6 referrer does all of the following:

7 (a) The referrer posts a conspicuous notice on each platform  
8 of the referrer that includes all of the following:

9 (i) A statement that sales or use tax is due on certain  
10 purchases.

11 (ii) A statement that the marketplace seller from whom the  
12 person is purchasing on the platform may or may not collect and  
13 remit sales and use tax on a purchase.

14 (iii) A statement that Iowa requires the purchaser to pay  
15 sales or use tax and file sales or use tax returns if sales  
16 or use tax is not collected at the time of the sale by the  
17 marketplace seller.

18 (iv) Information informing the purchaser that the notice is  
19 provided under the requirements of this subparagraph.

20 (v) Instructions for obtaining additional information from  
21 the department regarding whether and how to remit sales and use  
22 tax to the state of Iowa.

23 (b) The referrer provides a monthly notice to each  
24 marketplace seller to whom the referrer made a referral of a  
25 potential customer located in Iowa during the previous calendar  
26 year, which monthly notice shall contain all of the following:

27 (i) A statement that Iowa imposes a sales or use tax on Iowa  
28 sales.

29 (ii) A statement that a marketplace facilitator or other  
30 retailer making Iowa sales must collect and remit sales and use  
31 tax.

32 (iii) Instructions for obtaining additional information  
33 from the department regarding the collection and remittance of  
34 Iowa sales and use tax.

35 (c) The referrer provides the department with monthly

1 reports in an electronic format and in the manner prescribed  
2 by the department, which monthly reports contain all of the  
3 following:

4 (i) A list of marketplace sellers who received the  
5 referrer's notice under subparagraph division (b).

6 (ii) A list of marketplace sellers that collect and  
7 remit Iowa sales and use tax and that list or advertise the  
8 marketplace seller's products for sale on a platform of the  
9 referrer.

10 (iii) An affidavit signed under penalty of perjury from  
11 an officer of the referrer affirming that the referrer made  
12 reasonable efforts to comply with the applicable sales and use  
13 tax notice and reporting requirements of this subparagraph.

14 (2) A referrer is deemed to be an agent of any marketplace  
15 seller making retail sales resulting from a referral of the  
16 referrer.

17 (3) For purposes of this paragraph:

18 (a) "Platform" means an electronic or physical medium,  
19 including but not limited to an internet site or catalog, that  
20 is owned, operated, or controlled by a referrer.

21 (b) "Referral" means the transfer through telephone,  
22 internet link, or other means by a referrer of a potential  
23 customer to a retailer or seller who advertises or lists  
24 products for sale on a platform of the referrer.

25 (c) (i) "Referrer" means a person who does all of the  
26 following:

27 (A) Contracts or otherwise agrees with a retailer, seller,  
28 or marketplace facilitator to list or advertise for sale a  
29 product of the retailer, seller, or marketplace facilitator on  
30 a platform, provided such listing or advertisement identifies  
31 whether or not the retailer, seller, or marketplace facilitator  
32 collects sales and use tax.

33 (B) Receives a commission, fee, or other consideration  
34 from the retailer, seller, or marketplace facilitator for the  
35 listing or advertisement.

1 (C) Provides referrals to a retailer, seller, or  
2 marketplace facilitator, or an affiliate of a retailer, seller,  
3 or marketplace facilitator.

4 (D) Does not collect money or other consideration from the  
5 customer for the transaction.

6 (ii) "Referrer" does not include any of the following:

7 (A) A person primarily engaged in the business of printing  
8 or publishing a newspaper.

9 (B) A person who does not provide the retailer's, seller's,  
10 or marketplace facilitator's shipping terms and who does  
11 not advertise whether a retailer, seller, or marketplace  
12 facilitator collects sales or use tax.

13 (4) This paragraph only applies to referrals by a referrer  
14 and shall not preclude the applicability of other provisions  
15 of this section to a person who is a referrer and is also a  
16 retailer, a marketplace facilitator, or a marketplace seller.

17 f. (1) A retailer that makes Iowa sales through the use of  
18 a solicitor. For purposes of this paragraph, "solicitor" means  
19 a person that directly or indirectly solicits business for a  
20 retailer.

21 (2) (a) A retailer is deemed to have a solicitor in  
22 this state if the retailer enters into an agreement with a  
23 resident under which the resident, for a commission, fee, or  
24 other similar consideration, directly or indirectly refers  
25 potential customers, whether by link on an internet site,  
26 or otherwise, to the retailer. This determination may be  
27 rebutted by a showing of proof that the resident with whom the  
28 retailer has an agreement did not engage in any solicitation  
29 in this state on behalf of the retailer that would satisfy the  
30 nexus requirement of the United States Constitution during the  
31 calendar year in question.

32 (b) This subparagraph (2) shall not apply to a retailer that  
33 has Iowa gross revenue from Iowa sales of ten thousand dollars  
34 or less for an immediately preceding calendar year or a current  
35 calendar year.

1 (c) For purposes of this subparagraph (2):

2 (i) "*Iowa gross revenue*" means gross revenue from Iowa  
3 sales to purchasers who were referred to the retailer by all  
4 solicitors who are residents.

5 (ii) "*Resident*" includes an individual who is a resident  
6 of this state, as defined in section 422.4, and any business  
7 that owns any tangible or intangible property with a situs in  
8 this state, or that has one or more employees performing or  
9 providing services for the business in this state.

10 (d) This paragraph "*f*" does not apply to chapter 422 and  
11 does not expand or contract the state's jurisdiction to tax a  
12 trade or business under chapter 422.

13 *g.* A retailer that owns, controls, rents, licenses, makes  
14 available, or uses any tangible or intangible property in this  
15 state or with a situs in this state, to make or otherwise  
16 facilitate a retail sale.

17 *h.* (1) Any person that enters into a contract or agreement  
18 with a governmental entity, including but not limited to  
19 contracts for the provision of financial assistance or  
20 incentives such as a tax credit, forgivable loan, grant, tax  
21 rebate, or any other thing of value. For purposes of this  
22 subparagraph, "*governmental entity*" means any unit of government  
23 in the executive, legislative, or judicial branch, or any  
24 political subdivision of the state, including but not limited  
25 to a city, county, township, or school district.

26 (2) Every bid submitted and each contract or agreement  
27 executed by a state agency shall contain a certification by  
28 the bidder or contractor stating that the bidder or contractor  
29 is registered with the department pursuant to this chapter  
30 and will collect and remit Iowa sales and use tax due under  
31 this chapter. In the certification, the bidder or contractor  
32 shall also acknowledge that the state agency may declare the  
33 contractor or bid void if the certification is false or becomes  
34 false. Fraudulent certification, by act or omission, may  
35 result in the state agency or its representative filing for

1 damages for breach of contract.

2 *i.* Any affiliate of any person that is required to collect  
3 and remit sales and use tax under this chapter, provided the  
4 affiliate makes retail sales.

5 Sec. 212. NEW SECTION. **423.14B Sales and use tax reporting**  
6 **requirements — penalties.**

7 1. For purposes of this section, "*Iowa sales*" and  
8 "*marketplace facilitator*" all mean the same as defined in  
9 section 423.14A.

10 2. The department may, in its discretion, adopt rules  
11 pursuant to chapter 17A establishing and imposing notice and  
12 reporting requirements related to Iowa sales for retailers,  
13 including but not limited to marketplace facilitators,  
14 who do not collect and remit sales and use tax under this  
15 chapter. The rules may include but are not limited to rules  
16 requiring retailers, including but not limited to marketplace  
17 facilitators, to do any of the following:

18 *a.* Notify purchasers at the time of an Iowa sales  
19 transaction of sales and use tax obligations under this  
20 chapter.

21 *b.* Provide purchasers with periodic reports of purchases  
22 that are Iowa sales.

23 *c.* Provide the department with annual reports that include  
24 but are not limited to information relating to purchases,  
25 purchasers, and Iowa sales.

26 3. *a.* The department may adopt rules pursuant to chapter  
27 17A establishing and imposing penalties as described in and  
28 subject to the dollar limitations of paragraph "*b*", provided  
29 that any such penalty shall include a procedure for waiver  
30 of the penalty upon a showing of reasonable cause for such  
31 failure.

32 *b.* (1) The department may impose penalties for failure to  
33 provide a notification to a purchaser in the manner and form  
34 prescribed by the department by rule. Such penalties shall not  
35 exceed five dollars for each failure.

1 (2) The department may impose penalties for failure to  
2 provide a purchaser with a periodic report of purchases in the  
3 manner and form prescribed by the department by rule. Such  
4 penalties shall not exceed ten dollars for each failure.

5 (3) The department may impose penalties for failure to  
6 provide the department with an annual report in the manner  
7 and form prescribed by the department. Such penalties shall  
8 not exceed an amount per annual report equal to ten dollars  
9 multiplied by the number of purchasers for whom information  
10 should have been but was not included in the annual report.

11 Sec. 213. Section 423.15, unnumbered paragraph 1, Code  
12 2018, is amended to read as follows:

13 All sales of ~~products~~ tangible personal property, services,  
14 or specified digital products, except those sales enumerated  
15 in [section 423.16](#), shall be sourced according to [this section](#)  
16 by sellers obligated to collect Iowa sales and use tax. The  
17 sourcing rules described in [this section](#) apply to sales of  
18 tangible personal property, specified digital goods products,  
19 and all services other than telecommunications services. This  
20 section only applies to determine a seller's obligation to pay  
21 or collect and remit a Iowa sales or use tax with respect to  
22 the seller's sale of a product. [This section](#) does not affect  
23 the obligation of a purchaser or lessee to remit tax on the use  
24 of the product to the taxing jurisdictions in which the use  
25 occurs. A seller's obligation to collect Iowa sales tax or  
26 Iowa use tax only occurs if the sale is sourced to this state.  
27 ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall~~  
28 ~~be determined based on the location at which the sale is~~  
29 ~~consummated by delivery or, in the case of a service, where the~~  
30 ~~first use of the service occurs~~ made by a seller subject to  
31 section 423.1, subsection 48, or section 423.14A.

32 Sec. 214. Section 423.15, subsection 1, paragraph e, Code  
33 2018, is amended to read as follows:

34 e. When paragraphs "a", "b", "c", and "d" do not apply,  
35 including the circumstance where the seller is without

1 sufficient information to apply the previous rules, then the  
2 location will be determined by the address from which tangible  
3 personal property was shipped, from which the specified digital  
4 ~~good~~ product or the computer software delivered electronically  
5 was first available for transmission by the seller, or from  
6 which the service was provided disregarding for these purposes  
7 any location that merely provided the digital transfer of the  
8 product sold.

9 Sec. 215. Section 423.22, Code 2018, is amended to read as  
10 follows:

11 **423.22 Taxation in another state.**

12 If any person who causes tangible personal property or  
13 specified digital products to be brought into this state or  
14 who uses in this state services enumerated in [section 423.2](#)  
15 has already paid a tax in another state in respect to the sale  
16 or use of the property or the performance of the service, or  
17 an occupation tax in respect to the property or service, in  
18 an amount less than the tax imposed by [subchapter II](#) or [III](#),  
19 the provisions of those subchapters shall apply, but at a rate  
20 measured by the difference only between the rate fixed by  
21 [subchapter II](#) or [III](#) and the rate by which the previous tax on  
22 the sale or use, or the occupation tax, was computed. If the  
23 tax imposed and paid in the other state is equal to or more than  
24 the tax imposed by those subchapters, then a tax is not due in  
25 this state on the personal property or service.

26 Sec. 216. Section 423.29, subsection 1, Code 2018, is  
27 amended to read as follows:

28 1. Every seller who is a retailer and who is making taxable  
29 sales of tangible personal property or specified digital  
30 products in Iowa shall, at the time of ~~selling the property~~  
31 making the sale, collect the sales tax. Every seller who  
32 is a retailer ~~maintaining a place of business in this state~~  
33 that is not otherwise required to collect sales tax under the  
34 provisions of this chapter and who is selling tangible personal  
35 property or specified digital products for use in Iowa shall,

1 at the time of making the sale, whether within or without the  
2 state, collect the use tax. Sellers required to collect sales  
3 or use tax shall give to any purchaser a receipt for the tax  
4 collected in the manner and form prescribed by the director.

5 Sec. 217. Section 423.30, subsection 1, Code 2018, is  
6 amended to read as follows:

7 1. The director may, upon application, authorize the  
8 collection of the use tax by any seller who is a retailer not  
9 maintaining a place of business within this state and not  
10 registered under the agreement, who, to the satisfaction of  
11 the director, furnishes adequate security to ensure collection  
12 and payment of the tax. Such sellers shall be issued, without  
13 charge, permits to collect tax subject to any regulations  
14 which the director shall prescribe. When so authorized, it  
15 shall be the duty of foreign sellers to collect the tax upon  
16 all tangible personal property and specified digital products  
17 sold, to the retailer's knowledge, for use within this state,  
18 in the same manner and subject to the same requirements as a  
19 retailer maintaining a place of business within this state.  
20 The authority and permit may be canceled when, at any time, the  
21 director considers the security inadequate, or that tax can  
22 more effectively be collected from the person using property  
23 in this state.

24 Sec. 218. Section 423.31, subsection 1, Code 2018, is  
25 amended to read as follows:

26 1. Each person subject to [this section](#) and [section 423.36](#)  
27 and in accordance with the provisions of [this section](#) and  
28 section 423.36 shall, on or before the last day of the month  
29 following the close of each calendar quarter during which  
30 such person is or has become or ceased being subject to the  
31 provisions of [this section](#) and [section 423.36](#), make, sign, and  
32 file a return for the calendar quarter in the form as may be  
33 required. Returns shall show information relating to sales  
34 prices including ~~goods, wares,~~ specified digital products,  
35 and services converted to the

1 use of such person, the amounts of sales prices excluded and  
2 exempt from the tax, the amounts of sales prices subject to  
3 tax, a calculation of tax due, and any other information for  
4 the period covered by the return as may be required. Returns  
5 shall be signed by the retailer or the retailer's authorized  
6 agent and must be certified by the retailer to be correct in  
7 accordance with forms and rules prescribed by the director.

8 Sec. 219. Section 423.31, subsection 5, paragraph a, Code  
9 2018, is amended to read as follows:

10 a. Upon making application and receiving approval from  
11 the director, a ~~parent corporation~~ person and its affiliated  
12 ~~corporations~~ affiliates that make retail sales of tangible  
13 personal property, specified digital products, or taxable  
14 enumerated services may make deposits and file a consolidated  
15 sales tax return for the affiliated group, pursuant to rules  
16 adopted by the director. A ~~parent corporation~~ person and each  
17 affiliate ~~corporation~~ that files a consolidated return are  
18 jointly and severally liable for all tax, penalty, and interest  
19 found due for the tax period for which a consolidated return is  
20 filed or required to be filed.

21 Sec. 220. Section 423.32, subsection 1, paragraph b, Code  
22 2018, is amended to read as follows:

23 b. The deposit form is due on or before the twentieth day of  
24 the month following the month of collection, except a deposit  
25 is not required for the third month of the calendar quarter,  
26 and the total quarterly amount, less the amounts deposited for  
27 the first two months of the quarter, is due with the quarterly  
28 report on the last day of the month following the month of  
29 collection. At that time, the retailer shall file with the  
30 department a return for the preceding quarterly period in the  
31 form prescribed by the director showing the purchase price of  
32 the tangible personal property, specified digital products, and  
33 services sold by the retailer during the preceding quarterly  
34 period, the use of which is subject to the use tax imposed  
35 by [this chapter](#), and other information the director deems

1 necessary for the proper administration of the use tax.

2 Sec. 221. Section 423.33, subsection 3, Code 2018, is  
3 amended to read as follows:

4 3. *Event sponsor's liability for sales tax.* A person  
5 sponsoring a flea market or a craft, antique, coin, or stamp  
6 show or similar event shall obtain from every retailer selling  
7 tangible personal property, specified digital products,  
8 or taxable services at the event proof that the retailer  
9 possesses a valid sales tax permit or secure from the retailer  
10 a statement, taken in good faith, that tangible personal  
11 property, specified digital products, or services offered for  
12 sale are not subject to sales tax. Failure to do so renders  
13 a sponsor of the event liable for payment of any sales tax,  
14 interest, and penalty due and owing from any retailer selling  
15 property or services at the event. Sections 423.31, 423.32,  
16 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the  
17 sponsors. For purposes of this subsection, a "person sponsoring  
18 a flea market or a craft, antique, coin, or stamp show or similar  
19 event" does not include an organization which sponsors an  
20 event determined to qualify as an event involving casual sales  
21 pursuant to section 423.3, subsection 39, or the state fair or  
22 a fair as defined in section 174.1.

23 Sec. 222. Section 423.33, Code 2018, is amended by adding  
24 the following new subsection:

25 NEW SUBSECTION. 4. *Liability of affiliates.*

26 a. Notwithstanding any other provision of law to the  
27 contrary, if any retailer required to collect and remit sales  
28 and use tax pursuant to sections 423.14, 423.14A, and 423.29,  
29 or any other provision of this chapter, fails to do so, all  
30 affiliates that directly, indirectly, or constructively control  
31 the retailer shall be jointly and severally liable for any tax,  
32 penalty, and interest under this chapter, regardless of whether  
33 the affiliate is a retailer.

34 b. Pursuant to paragraph "a", the department may elect  
35 to assess the full amount of any tax, penalty, and interest

1 against the retailer, an affiliate of the retailer described  
2 in paragraph "a", or any combination of the retailer and the  
3 retailer's affiliates described in paragraph "a".

4 c. Notwithstanding any other provision of law to the  
5 contrary, the department has the discretion to deem an  
6 affiliate of a retailer an agent or alter ego of that retailer.

7 d. Notwithstanding any other provision of law to the  
8 contrary, the department has the discretion to disregard or  
9 look through any organizational structure of an enterprise in  
10 order to assess and collect any tax, penalty, and interest  
11 against an affiliate that is acting to benefit an affiliate or  
12 an enterprise of which the affiliate is a part.

13 Sec. 223. Section 423.34, Code 2018, is amended to read as  
14 follows:

15 **423.34 Liability of user.**

16 Any person who uses any tangible personal property,  
17 specified digital products, or services enumerated in section  
18 423.2 upon which the use tax has not been paid, either to the  
19 county treasurer or to a retailer or direct to the department  
20 as required by [this subchapter](#), shall be liable for the payment  
21 of tax, and shall on or before the last day of the month next  
22 succeeding each quarterly period pay the use tax upon all  
23 property or services used by the person during the preceding  
24 quarterly period in the manner and accompanied by such returns  
25 as the director shall prescribe. All of the provisions of  
26 sections 423.32 and [423.33](#) with reference to the returns and  
27 payments shall be applicable to the returns and payments  
28 required by [this section](#).

29 Sec. 224. Section 423.36, subsection 1, Code 2018, is  
30 amended to read as follows:

31 1. A person shall not engage in or transact business as a  
32 retailer making taxable sales of tangible personal property,  
33 specified digital products, or furnishing services within  
34 this state or as a retailer making taxable sales of tangible  
35 personal property, specified digital products, or furnishing

1 services for use within this state, unless a permit has been  
2 issued to the retailer under [this section](#), except as provided  
3 in [subsection 7](#). Every person desiring to engage in or  
4 transact business as a retailer shall file with the department  
5 an application for a permit to collect sales or use tax. Every  
6 application for a sales or use tax permit shall be made upon  
7 a form prescribed by the director and shall set forth any  
8 information the director may require. The application shall  
9 be signed by an owner of the business if a natural person; in  
10 the case of a retailer which is an association or partnership,  
11 by a member or partner; and in the case of a retailer which  
12 is a corporation, by an executive officer or some person  
13 specifically authorized by the corporation to sign the  
14 application, to which shall be attached the written evidence of  
15 the person's authority.

16 Sec. 225. Section 423.36, subsection 2, paragraph a, Code  
17 2018, is amended to read as follows:

18 a. Notwithstanding [subsection 1](#), if any person will make  
19 taxable sales of tangible personal property, specified digital  
20 products, or furnish services to any state agency, that person  
21 shall, prior to the sale, apply for and receive a permit to  
22 collect sales or use tax pursuant to [this section](#). A state  
23 agency shall not purchase tangible personal property, specified  
24 digital products, or services from any person unless that  
25 person has a valid, unexpired permit issued pursuant to this  
26 section and is in compliance with all other requirements in  
27 this chapter imposed upon retailers, including but not limited  
28 to the requirement to collect and remit sales and use tax and  
29 file sales and use tax returns.

30 Sec. 226. Section 423.36, subsection 7, paragraph b, Code  
31 2018, is amended to read as follows:

32 b. Persons engaged in selling tangible personal property,  
33 specified digital products, or furnishing services shall not be  
34 required to obtain or retain a sales tax permit for a place of  
35 business at which taxable sales of tangible personal property,

1 specified digital products, or taxable performance of services  
2 will not occur.

3 Sec. 227. Section 423.36, subsection 9, paragraph a, Code  
4 2018, is amended to read as follows:

5 a. Except as provided in paragraph "b", purchasers, users,  
6 and consumers of tangible personal property, specified digital  
7 products, or enumerated services taxed pursuant to subchapter  
8 II or III of [this chapter](#) or [chapter 423B](#) may be authorized,  
9 pursuant to rules adopted by the director, to remit tax owed  
10 directly to the department instead of the tax being collected  
11 and paid by the seller. To qualify for a direct pay tax permit,  
12 the purchaser, user, or consumer must accrue a tax liability  
13 of more than four thousand dollars in tax under subchapters  
14 II and III in a semimonthly period and make deposits and file  
15 returns pursuant to [section 423.31](#). This authority shall not  
16 be granted or exercised except upon application to the director  
17 and then only after issuance by the director of a direct pay  
18 tax permit.

19 Sec. 228. Section 423.40, subsection 2, Code 2018, is  
20 amended to read as follows:

21 2. a. Any person who knowingly sells tangible personal  
22 property, specified digital products, tickets or admissions  
23 to places of amusement and athletic events, or gas, water,  
24 electricity, or communication service at retail, or engages in  
25 the furnishing of services enumerated in [section 423.2](#), in this  
26 state without procuring a permit to collect tax, as provided  
27 in [section 423.36](#), or who violates [section 423.24](#) and the  
28 officers of any corporation who so act are guilty of a serious  
29 misdemeanor.

30 b. A person who knowingly sells tangible personal property,  
31 specified digital products, tickets or admissions to places of  
32 amusement and athletic events, or gas, water, electricity, or  
33 communication service at retail, or engages in the furnishing  
34 of services enumerated in [section 423.2](#), in this state after  
35 the person's sales tax permit has been revoked and before it

1 has been restored as provided in [section 423.36, subsection 6,](#)  
2 and the officers of any corporation who so act are guilty of an  
3 aggravated misdemeanor.

4 Sec. 229. Section 423.41, Code 2018, is amended to read as  
5 follows:

6 **423.41 Books — examination.**

7 Every retailer required or authorized to collect taxes  
8 imposed by [this chapter](#) and every person using in this state  
9 tangible personal property, specified digital products,  
10 services, or the product of services shall keep records,  
11 receipts, invoices, and other pertinent papers as the director  
12 shall require, in the form that the director shall require,  
13 for as long as the director has the authority to examine and  
14 determine tax due. The director or any duly authorized agent  
15 of the department may examine the books, papers, records,  
16 and equipment of any person ~~either~~ selling tangible personal  
17 property, specified digital products, or services or liable  
18 for the tax imposed by [this chapter](#), and investigate the  
19 character of the business of any person in order to verify  
20 the accuracy of any return made, or if a return was not made  
21 by the person, ascertain and determine the amount due under  
22 this chapter. These books, papers, and records shall be made  
23 available within this state for examination upon reasonable  
24 notice when the director deems it advisable and so orders. If  
25 the taxpayer maintains any records in an electronic format,  
26 the taxpayer shall comply with reasonable requests by the  
27 director or the director's authorized agents to provide those  
28 electronic records in a standard record format. The preceding  
29 requirements shall likewise apply to users and persons  
30 furnishing services enumerated in [section 423.2.](#)

31 Sec. 230. Section 423.45, subsection 4, paragraphs a, b, and  
32 e, Code 2018, are amended to read as follows:

33 a. The department shall issue or the seller may separately  
34 provide exemption certificates in the form prescribed by the  
35 director, including certificates not made of paper, which

1 conform to the requirements of paragraph "c", to assist  
2 retailers in properly accounting for nontaxable sales of  
3 tangible personal property, specified digital products,  
4 or services to purchasers for a nontaxable purpose. The  
5 department shall also allow the use of exemption certificates  
6 for those circumstances in which a sale is taxable but the  
7 seller is not obligated to collect tax from the buyer.

8     *b.* The sales tax liability for all sales of tangible  
9 personal property and specified digital products and all sales  
10 of services is upon the seller and the purchaser unless the  
11 seller takes from the purchaser a valid exemption certificate  
12 stating under penalty of perjury that the purchase is for a  
13 nontaxable purpose and is not a retail sale as defined in  
14 section 423.1, or the seller is not obligated to collect tax  
15 due, or unless the seller takes a fuel exemption certificate  
16 pursuant to [subsection 5](#). If the tangible personal property,  
17 specified digital products, or services are purchased tax free  
18 pursuant to a valid exemption certificate and the tangible  
19 personal property, specified digital products, or services are  
20 used or disposed of by the purchaser in a nonexempt manner, the  
21 purchaser is solely liable for the taxes and shall remit the  
22 taxes directly to the department and [sections 423.31, 423.32,](#)  
23 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply  
24 to the purchaser.

25     *e.* If the circumstances change and as a result the tangible  
26 personal property, specified digital products, or services are  
27 used or disposed of by the purchaser in a nonexempt manner or  
28 the purchaser becomes obligated to pay the tax, the purchaser  
29 is liable solely for the taxes and shall remit the taxes  
30 directly to the department in accordance with [this subsection](#).

31     Sec. 231. Section 423.57, Code 2018, is amended to read as  
32 follows:

33     **423.57 Statutes applicable.**

34     The director shall administer [this subchapter](#) as it relates  
35 to the taxes imposed in [this chapter](#) in the same manner and

1 subject to all the provisions of, and all of the powers,  
2 duties, authority, and restrictions contained in sections  
3 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,  
4 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,  
5 423.32, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,  
6 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection  
7 1, and sections 423.45, 423.46, and 423.47.

8 Sec. 232. Section 423.58, Code 2018, is amended to read as  
9 follows:

10 **423.58 Collection, permit, and tax return exemption for**  
11 **certain out-of-state businesses.**

12 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,  
13 423.31, 423.32, and 423.36, a person meeting the requirements  
14 of section 29C.24 is not required to obtain a sales or use tax  
15 permit, collect and remit sales and use tax, or make and file  
16 applicable sales or use tax returns, as provided in section  
17 29C.24, subsection 3, paragraph "a", subparagraph (2).

18 Sec. 233. Section 423B.5, subsection 1, Code 2018, is  
19 amended to read as follows:

20 1. A local sales and services tax at the rate of not more  
21 than one percent may be imposed by a county on the sales price  
22 taxed by the state under chapter 423, subchapter II. A local  
23 sales and services tax shall be imposed on the same basis as  
24 the state sales and services tax or in the case of the use of  
25 natural gas, natural gas service, electricity, or electric  
26 service on the same basis as the state use tax and shall not  
27 be imposed on the sale of any property or on any service not  
28 taxed by the state, except the tax shall not be imposed on  
29 the sales price from the sale of motor fuel or special fuel  
30 as defined in chapter 452A which is consumed for highway use  
31 or in watercraft or aircraft if the fuel tax is paid on the  
32 transaction and a refund has not or will not be allowed, on the  
33 sales price from the sale of equipment by the state department  
34 of transportation, or on the sales price from the sale or use  
35 of natural gas, natural gas service, electricity, or electric

1 service in a city or county where the sales price from the sale  
2 of natural gas or electric energy is subject to a franchise  
3 fee or user fee during the period the franchise or user fee  
4 is imposed. A local sales and services tax is applicable  
5 to transactions within those incorporated and unincorporated  
6 areas of the county where it is imposed ~~and~~, which transactions  
7 include but are not limited to sales sourced pursuant to  
8 section 423.15, 423.17, 423.19, or 423.20, to a location within  
9 that city or unincorporated area of the county. The tax shall  
10 be collected by all persons required to collect state sales  
11 taxes. All cities contiguous to each other shall be treated  
12 as part of one incorporated area and the tax would be imposed  
13 in each of those contiguous cities only if the majority of  
14 those voting in the total area covered by the contiguous cities  
15 favors its imposition. In the case of a local sales and  
16 services tax submitted to the registered voters of two or more  
17 contiguous counties as provided in section 423B.1, subsection  
18 4, paragraph "c", all cities contiguous to each other shall be  
19 treated as part of one incorporated area, even if the corporate  
20 boundaries of one or more of the cities include areas of more  
21 than one county, and the tax shall be imposed in each of those  
22 contiguous cities only if a majority of those voting on the tax  
23 in the total area covered by the contiguous cities favored its  
24 imposition.

25 Sec. 234. Section 423B.6, subsection 2, paragraph b, Code  
26 2018, is amended to read as follows:

27 *b.* The ordinance of a county board of supervisors imposing  
28 a local sales and services tax shall adopt by reference the  
29 applicable provisions of the appropriate sections of chapter  
30 423. All powers and requirements of the director to administer  
31 the state sales tax law and use tax law are applicable to the  
32 administration of a local sales and services tax law and the  
33 local excise tax, including but not limited to the provisions  
34 of [section 422.25, subsection 4, sections 422.30, 422.67,](#)  
35 [and 422.68, section 422.69, subsection 1, sections 422.70](#)

1 through 422.75, section 423.14, subsection 1 and subsection  
2 2, paragraphs "b" through "e", and [sections 423.14A, 423.15,](#)  
3 [423.23, 423.24, 423.25, 423.31 through 423.35,](#) 423.37 through  
4 [423.42, 423.46,](#) and [423.47.](#) Local officials shall confer  
5 with the director of revenue for assistance in drafting the  
6 ordinance imposing a local sales and services tax. A certified  
7 copy of the ordinance shall be filed with the director as soon  
8 as possible after passage.

9     Sec. 235. LEGISLATIVE INTENT. It is the intent of the  
10 general assembly that the provisions of this division of this  
11 Act amending the definition of "place of business" in section  
12 423.1, subsection 37, and "sales" in section 423.1, subsection  
13 50, enacting definitions of "sold at retail in the state" in  
14 section 423.1, subsection 55A, and "subscription" in section  
15 423.1, subsection 57A, and amending the enumerated service of  
16 pay television in 423.2, subsection 6, paragraph "a", are  
17 conforming amendments consistent with current state law, and  
18 that the amendments do not change the application of current  
19 law but instead reflect current law both before and after the  
20 enactment of this division of this Act.

21     Sec. 236. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF  
22 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of  
23 this Act relating to the imposition of tax on the sale or use of  
24 "specified digital products", as defined in this division of  
25 this Act, shall not be construed as affecting the taxability  
26 or nontaxability under other provisions of existing law of  
27 sales or uses occurring prior to the enactment of this division  
28 of this Act of products meeting the definition of "specified  
29 digital products", as defined in this division of this Act.

30     Sec. 237. EFFECTIVE DATE. Except as otherwise provided  
31 in this division of this Act, this division of this Act takes  
32 effect January 1, 2019.

33     Sec. 238. EFFECTIVE DATE. The following, being deemed of  
34 immediate importance, take effect upon enactment:

35     1. The sections of this division of this Act amending

1 section 423.1, subsections 37 and 50.

2 2. The sections of this division of this Act enacting  
3 section 423.1, subsections 55A and 57A.

4 3. The section of this division of this Act amending section  
5 423.3, subsection 47, paragraph "d", subparagraph (4).

6 4. The provision amending the enumerated service of pay  
7 television to include but not be limited to streaming video,  
8 video on-demand, and pay-per-view, in the section of this  
9 division of this Act amending section 423.2, subsection 6, by  
10 designating paragraph "al".

11 5. The section of this division of this Act entitled  
12 "legislative intent" which describes the intent of the general  
13 assembly with respect to certain amendments in this division of  
14 this Act to the definition of "place of business" in section  
15 423.1, subsection 37, "sales" in section 423.1, subsection 50,  
16 the enactment of a definition for "subscription" in section  
17 423.1, subsection 57A, and "sold at retail" in section 423.1,  
18 subsection 55A, and amendments to the enumerated service of pay  
19 television in section 423.2, subsection 6, paragraph "al".

20 Sec. 239. EFFECTIVE DATE. The following take effect July  
21 1, 2018:

22 1. The section of this division of this Act amending section  
23 423.2, subsection 1, paragraph "a", subparagraph (1).

24 2. The provisions adding photography and retouching to the  
25 list of enumerated services subject to the sales tax in the  
26 section of this division of this Act amending section 423.2,  
27 subsection 6, by enacting paragraphs "bo" and "bp".

28 3. The section of this division of this Act enacting section  
29 423.2, subsection 8, paragraph "d".

30 4. The section of this division of this Act amending section  
31 423.5, subsection 1, paragraph "a".

32 DIVISION XII

33 APPROVAL AND IMPOSITION OF LOCAL OPTION SALES AND SERVICES TAX

34 Sec. 240. Section 423B.1, subsection 2, paragraph b,  
35 subparagraph (3), Code 2018, is amended to read as follows:

1 (3) The tax once imposed shall continue to be imposed until  
2 the county-imposed tax is ~~reduced or increased in rate or~~  
3 ~~repealed, and then the city-imposed tax shall also be reduced~~  
4 ~~or increased in rate or repealed in the same amount and be~~  
5 effective on the same date.

6 Sec. 241. Section 423B.1, subsections 3, 4, and 5, Code  
7 2018, are amended to read as follows:

8 3. a. ~~A local option tax shall be imposed only after an~~  
9 ~~election at which~~ If a majority of those voting on the question  
10 of imposition of a local option tax favors imposition and, the  
11 local option tax shall then be imposed at the rate specified  
12 on the ballot until repealed as provided in ~~subsection 6,~~  
13 ~~paragraph "a" this chapter.~~

14 b. If the tax is a local vehicle tax imposed by a county,  
15 it shall apply to all incorporated and unincorporated areas of  
16 the county.

17 c. (1) If the tax is a local sales and services tax  
18 imposed by a county, it shall only apply to those incorporated  
19 areas and the unincorporated area of that county in which a  
20 majority of those voting in the area on the tax favors its  
21 imposition. For purposes of the local sales and services tax,  
22 all cities contiguous to each other shall be treated as part of  
23 one incorporated area and the tax would be imposed in each of  
24 those contiguous cities only if the majority of those voting  
25 in the total area covered by the contiguous cities favors its  
26 imposition. ~~In the case of a local sales and services tax~~  
27 ~~submitted to the registered voters of two or more contiguous~~  
28 ~~counties as provided in subsection 4, paragraph "c", all cities~~  
29 ~~contiguous to each other shall be treated as part of one~~  
30 ~~incorporated area, even if the corporate boundaries of one or~~  
31 ~~more of the cities include areas of more than one county, and~~  
32 ~~the tax shall be imposed in each of those contiguous cities~~  
33 ~~only if a majority of those voting on the tax in the total area~~  
34 ~~covered by the contiguous cities favored its imposition. For~~  
35 purposes of the local sales and services tax, a city is not

1 contiguous to another city if the only road access between the  
2 two cities is through another state.

3 (2) The treatment of contiguous cities as one incorporated  
4 area for the purpose of determining whether a majority of those  
5 voting favors imposition does not apply to elections on the  
6 question of imposition of a local sales and services tax in  
7 all or a portion of a county that is a qualified county if the  
8 election occurs on or after January 1, 2019. For purposes  
9 of this chapter, "qualified county" means a county with a  
10 population in excess of four hundred thousand, a county with  
11 a population of at least one hundred thirty thousand but not  
12 more than one hundred thirty-one thousand, or a county with a  
13 population of at least sixty thousand but not more than seventy  
14 thousand, according to the 2010 federal decennial census.

15 4. a. (1) A The county board of supervisors shall direct  
16 within thirty days the county commissioner of elections to  
17 submit the question of imposition of a local vehicle tax ~~or~~  
18 ~~a local sales and services tax~~ to the registered voters of  
19 the incorporated and unincorporated areas of the county upon  
20 receipt of a petition, requesting imposition of a local vehicle  
21 tax ~~or a local sales and services tax~~, signed by eligible  
22 electors of the whole county equal in number to five percent of  
23 the persons in the whole county who voted at the last preceding  
24 general election. ~~In the case of a local vehicle tax, the~~ The  
25 petition requesting imposition shall specify the rate of tax  
26 and the classes, if any, that are to be exempt. If more than  
27 one valid petition is received, the earliest received petition  
28 shall be used.

29 (2) The county board of supervisors shall direct within  
30 thirty days the county commissioner of elections to submit the  
31 question of imposition of a local sales and services tax to the  
32 registered voters of the incorporated and unincorporated areas  
33 of the county upon receipt of a petition requesting imposition  
34 of a local sales and services tax, signed by eligible electors  
35 of the whole county equal in number to five percent of the

1 persons in the whole county who voted at the last preceding  
2 general election. If more than one valid petition is received,  
3 the earliest received petition shall be used.

4 (3) In lieu of the petition requirement of subparagraph  
5 (2), the county board of supervisors for a county that is a  
6 qualified county shall direct within thirty days the county  
7 commissioner of elections to submit the question of imposition  
8 of a local sales and services tax to the registered voters of a  
9 city, or the portion thereof located in the county, or to the  
10 registered voters of the unincorporated area of the county upon  
11 receipt by the board of supervisors of a petition requesting  
12 imposition of a local sales and services tax, signed by  
13 eligible electors of the city, or the portion thereof located  
14 in the county, or eligible electors of the unincorporated area  
15 of the county, as applicable, equal in number to five percent  
16 of the persons in the city, or applicable portion thereof, or  
17 in the unincorporated area of the county who voted at the last  
18 preceding general election. If more than one valid petition  
19 is received for a city or for the unincorporated area of the  
20 county, the earliest received petition shall be used. This  
21 subparagraph applies to petitions received on or after January  
22 1, 2019.

23 b. (1) The question of the imposition of a local sales  
24 and services tax shall be submitted to the registered voters  
25 of the incorporated and unincorporated areas of the county  
26 upon receipt by the county commissioner of elections of the  
27 motion or motions, requesting such submission, adopted by  
28 the governing body or bodies of the city or cities located  
29 within the county or of the county, for the unincorporated  
30 areas of the county, representing at least one half of the  
31 population of the county. Upon adoption of such motion, the  
32 governing body of the city or county, for the unincorporated  
33 areas, shall submit the motion to the county commissioner of  
34 elections and in the case of the governing body of the city  
35 shall notify the board of supervisors of the adoption of the

1 motion. The county commissioner of elections shall keep a file  
2 on all the motions received and, upon reaching the population  
3 requirements, shall publish notice of the ballot proposition  
4 concerning the imposition of the local sales and services tax.  
5 A motion ceases to be valid at the time of the holding of the  
6 regular election for the election of members of the governing  
7 body ~~which~~ that adopted the motion. The county commissioner of  
8 elections shall eliminate from the file any motion that ceases  
9 to be valid.

10 (2) In lieu of the motion requirements of subparagraph (1),  
11 the question of the imposition of a local sales and services  
12 tax shall be submitted to the registered voters of a city  
13 located in a county that is a qualified county, or the portion  
14 thereof located in the county, or to the registered voters  
15 of the unincorporated area of a county that is a qualified  
16 county upon receipt by the county commissioner of elections of  
17 a motion requesting such submission, adopted by the governing  
18 body of the city or the county for the unincorporated area of  
19 the county, as applicable. Upon adoption of such motion, the  
20 governing body of the city or county for the unincorporated  
21 area shall submit the motion to the county commissioner of  
22 elections. The county commissioner of elections shall publish  
23 notice of the ballot proposition concerning the imposition of  
24 the local sales and services tax. This subparagraph applies to  
25 motions received by the county commissioner of elections on or  
26 after January 1, 2019.

27 (3) The ~~manner~~ methods provided under this paragraph for the  
28 submission of the question of imposition of a local sales and  
29 services tax ~~is an alternative~~ are alternatives to the ~~manner~~  
30 ~~methods~~ provided in paragraph "a".

31 ~~c. Upon receipt of petitions or motions calling for the~~  
32 ~~submission of the question of the imposition of a local sales~~  
33 ~~and services tax as described in paragraph "a" or "b", the~~  
34 ~~boards of supervisors of two or more contiguous counties in~~  
35 ~~which the question is to be submitted may enter into a joint~~

1 ~~agreement providing that for purposes of this chapter, a~~  
2 ~~city whose corporate boundaries include areas of more than~~  
3 ~~one county shall be treated as part of the county in which a~~  
4 ~~majority of the residents of the city reside. In such event,~~  
5 ~~the county commissioners of elections from each such county~~  
6 ~~shall cooperate in the selection of a single date upon which~~  
7 ~~the election shall be held, and for all purposes of this~~  
8 ~~chapter relating to the imposition, repeal, change of use,~~  
9 ~~or collection of the tax, such a city shall be deemed to be~~  
10 ~~part of the county in which a majority of the residents of the~~  
11 ~~city reside. A copy of the joint agreement shall be provided~~  
12 ~~promptly to the director of revenue.~~

13 5. a. The county commissioner of elections shall submit  
14 the question of imposition of a local option tax at an election  
15 held on a date specified in section 39.2, subsection 4,  
16 paragraph "a" or "b", as applicable. The election shall not be  
17 held sooner than sixty days after publication of notice of the  
18 ballot proposition.

19 b. The ballot proposition shall specify the type and rate of  
20 tax and, in the case of a vehicle tax, the classes that will be  
21 exempt and, in the case of a local sales and services tax, the  
22 date it will be imposed which date shall not be earlier than  
23 ninety days following the election. The ballot proposition  
24 shall also specify the approximate amount of local option tax  
25 revenues that will be used for property tax relief, subject to  
26 the requirement of section 423B.7, subsection 7, paragraph "b",  
27 and shall contain a statement as to the specific purpose or  
28 purposes for which the revenues shall otherwise be expended.  
29 If the county board of supervisors or governing body of the  
30 city, as applicable, decides under subsection 6 to specify a  
31 date on which the local option sales and services tax shall  
32 automatically be repealed, the date of the repeal shall also be  
33 specified on the ballot.

34 c. The rate of the vehicle tax shall be in increments of one  
35 dollar per vehicle as set by the petition seeking to impose the

1 tax.

2 d. The rate of a local sales and services tax shall not be  
3 ~~more than one percent as set by the governing body.~~

4 e. The state commissioner of elections shall establish by  
5 rule the form for the ballot proposition which form shall be  
6 uniform throughout the state.

7 Sec. 242. Section 423B.1, subsection 6, paragraph a,  
8 subparagraph (1), Code 2018, is amended by striking the  
9 subparagraph.

10 Sec. 243. Section 423B.1, subsection 6, paragraph a,  
11 subparagraphs (2) and (3), Code 2018, are amended to read as  
12 follows:

13 (2) (a) ~~The~~ A local option tax may be repealed or the  
14 rate of the local vehicle tax increased or decreased or the  
15 use ~~thereof~~ of a local option tax changed after an election at  
16 which a majority of those voting on the question of repeal or  
17 rate or use change ~~avored~~ avors the repeal or rate or use  
18 change.

19 (b) The date on which the repeal, rate, or use change is  
20 to take effect shall not be earlier than ninety days following  
21 the election. The election at which the question of repeal  
22 or rate or use change is offered shall be called and held in  
23 the same manner and under the same conditions as provided in  
24 subsections 4 and 5 for the election on the imposition of the  
25 local option tax. However, in the case of a local sales and  
26 services tax where the tax has not been imposed countywide, the  
27 question of repeal or imposition ~~or rate~~ or use change shall  
28 be voted on only by the registered voters of the areas of the  
29 county where the tax has been imposed or has not been imposed,  
30 as appropriate.

31 (c) ~~However, the~~ The governing body of the ~~incorporated~~  
32 area city or unincorporated area where the local sales and  
33 services tax is imposed may, upon its own motion, request the  
34 county commissioner of elections to hold an election in the  
35 ~~incorporated~~ city, or portion thereof located in the county,

1 or unincorporated area, as appropriate, on the question of the  
2 change in use of local sales and services tax revenues. The  
3 election may be held at any time but not sooner than sixty days  
4 following publication of the ballot proposition. If a majority  
5 of those voting in the incorporated city, or portion thereof  
6 located in the county, or unincorporated area on the change in  
7 use favors the change, the governing body of that area shall  
8 change the use to which the revenues shall be used. The ballot  
9 proposition shall list the present use of the revenues, the  
10 proposed use, and the date after which revenues received will  
11 be used for the new use.

12 (3) When submitting the question of the imposition of a  
13 local sales and services tax, the ~~county~~ board of supervisors  
14 or if the election is initiated under subsection 4, paragraph  
15 "a", subparagraph (3), or subsection 4, paragraph "b",  
16 subparagraph (2), the governing board of a city, may direct  
17 that the question contain a provision for the repeal, without  
18 election, of the local sales and services tax on a specific  
19 date, which date shall be as provided in section 423B.6,  
20 subsection 1.

21 Sec. 244. Section 423B.1, subsection 7, paragraph b, Code  
22 2018, is amended to read as follows:

23 *b.* Costs of local option tax elections shall be apportioned  
24 among jurisdictions within the county voting on the question  
25 at the same election on a pro rata basis in proportion to the  
26 number of registered voters in each taxing jurisdiction voting  
27 on the question and the total number of registered voters in  
28 all of the taxing jurisdictions voting on the question.

29 Sec. 245. Section 423B.1, subsection 8, Code 2018, is  
30 amended by striking the subsection.

31 Sec. 246. Section 423B.1, subsections 9 and 10, Code 2018,  
32 are amended to read as follows:

33 9. *a.* In a county that has imposed a local option sales and  
34 services tax, the board of supervisors shall, notwithstanding  
35 any contrary provision of [this chapter](#), repeal the local

1 option sales and services tax in the unincorporated areas or  
2 in an incorporated city area in which the tax has been imposed  
3 upon adoption of ~~its~~ the board's own motion for repeal in the  
4 unincorporated areas or upon receipt of a motion adopted by  
5 the governing body of that incorporated city area requesting  
6 repeal. The board of supervisors shall repeal the local  
7 option sales and services tax effective on the ~~later of the~~  
8 ~~date of the adoption of the repeal motion or the earliest date~~  
9 specified in section 423B.6, subsection 1, following adoption  
10 of the motion. For purposes of this subsection paragraph,  
11 incorporated city area includes an incorporated city which is  
12 contiguous to another incorporated city.

13 b. If imposition of the local option sales and services tax  
14 is initiated under subsection 4, paragraph "a", subparagraph  
15 (3), or subsection 4, paragraph "b", subparagraph (2),  
16 notwithstanding any contrary provision of this chapter, the  
17 board of supervisors may repeal the local sales and services  
18 tax in a city, or portion thereof located in the county, upon  
19 receipt of a motion adopted by the governing board of the city  
20 requesting the repeal. The board of supervisors shall repeal  
21 the local sales and services tax effective on the earliest date  
22 specified in section 423B.6, subsection 1, following adoption  
23 of the motion.

24 10. Notwithstanding subsection 9 or any other contrary  
25 provision of this chapter, a local option sales and services  
26 tax shall not be repealed ~~or reduced in rate~~ if obligations are  
27 outstanding which are payable as provided in section 423B.9,  
28 unless funds sufficient to pay the principal, interest, and  
29 premium, if any, on the outstanding obligations at and prior  
30 to maturity have been properly set aside and pledged for that  
31 purpose.

32 Sec. 247. Section 423B.5, subsections 1 and 4, Code 2018,  
33 are amended to read as follows:

34 1. A local sales and services tax ~~at the rate of not more~~  
35 ~~than one percent~~ may be imposed by a county on the sales price

1 taxed by the state under [chapter 423, subchapter II](#). A local  
2 sales and services tax shall be imposed on the same basis as  
3 the state sales and services tax or in the case of the use of  
4 natural gas, natural gas service, electricity, or electric  
5 service on the same basis as the state use tax and shall not  
6 be imposed on the sale of any property or on any service not  
7 taxed by the state, except the tax shall not be imposed on  
8 the sales price from the sale of motor fuel or special fuel  
9 as defined in [chapter 452A](#) which is consumed for highway use  
10 or in watercraft or aircraft if the fuel tax is paid on the  
11 transaction and a refund has not or will not be allowed,  
12 on the sales price from the sale of equipment by the state  
13 department of transportation, or on the sales price from the  
14 sale or use of natural gas, natural gas service, electricity,  
15 or electric service in a city or county where the sales price  
16 from the sale of natural gas or electric energy is subject to  
17 a franchise fee or user fee during the period the franchise  
18 or user fee is imposed. A local sales and services tax is  
19 applicable to transactions within those ~~incorporated~~ cities  
20 and unincorporated areas of the county where it is imposed and  
21 shall be collected by all persons required to collect state  
22 sales taxes. ~~All cities contiguous to each other shall be~~  
23 ~~treated as part of one incorporated area and the tax would be~~  
24 ~~imposed in each of those contiguous cities only if the majority~~  
25 ~~of those voting in the total area covered by the contiguous~~  
26 ~~cities favors its imposition. In the case of a local sales and~~  
27 ~~services tax submitted to the registered voters of two or more~~  
28 ~~contiguous counties as provided in section 423B.1, subsection~~  
29 ~~4, paragraph "c", all cities contiguous to each other shall be~~  
30 ~~treated as part of one incorporated area, even if the corporate~~  
31 ~~boundaries of one or more of the cities include areas of more~~  
32 ~~than one county, and the tax shall be imposed in each of those~~  
33 ~~contiguous cities only if a majority of those voting on the~~  
34 ~~tax in the total area covered by the contiguous cities favored~~  
35 ~~its imposition. However, a local sales and services tax is~~

1 not applicable to transactions sourced under chapter 423 to a  
2 place of business, as defined in section 423.1, of a retailer  
3 if such place of business is located in part within a city or  
4 unincorporated area of the county where the tax is not imposed.

5 4. If a local sales and services tax is imposed by a county  
6 pursuant to *this chapter*, a local excise tax at the same rate  
7 shall be imposed by the county on the purchase price of natural  
8 gas, natural gas service, electricity, or electric service  
9 subject to tax under *chapter 423, subchapter III*, and not  
10 exempted from tax by any provision of chapter 423, subchapter  
11 III. The local excise tax is applicable only to the use of  
12 natural gas, natural gas service, electricity, or electric  
13 service within those incorporated cities and unincorporated  
14 areas of the county where it is imposed and, except as  
15 otherwise provided in *this chapter*, shall be collected and  
16 administered in the same manner as the local sales and services  
17 tax. For purposes of *this chapter*, "*local sales and services*  
18 *tax*" shall also include the local excise tax.

19 Sec. 248. Section 423B.6, subsection 1, paragraph c, Code  
20 2018, is amended to read as follows:

21 c. The imposition of ~~or a rate change for~~ a local sales and  
22 services tax shall not be applied to purchases from a printed  
23 catalog wherein a purchaser computes the local tax based on  
24 rates published in the catalog unless a minimum of one hundred  
25 twenty days' notice of the imposition ~~or rate change~~ has been  
26 given to the seller from the catalog and the first day of a  
27 calendar quarter has occurred on or after the one hundred  
28 twentieth day.

29 Sec. 249. Section 423B.7, subsection 1, Code 2018, is  
30 amended to read as follows:

31 1. a. Except as provided in paragraph paragraphs "b" and  
32 "c", the director shall credit the local sales and services  
33 tax receipts and interest and penalties from a county-imposed  
34 tax to the county's account in the local sales and services  
35 tax fund ~~and from a city-imposed tax under section 423B.1,~~

1 ~~subsection 2, to the city's account in the local sales~~  
2 ~~and services tax fund~~ for the county in which the tax was  
3 collected. If the director is unable to determine from which  
4 county any of the receipts were collected, those receipts shall  
5 be allocated among the possible counties based on allocation  
6 rules adopted by the director.

7 ~~b. Notwithstanding paragraph "a", the~~ The director shall  
8 credit the designated amount of the increase in local sales  
9 and services tax receipts, as computed in section 423B.10,  
10 collected in an urban renewal area of an eligible city that has  
11 adopted an ordinance pursuant to section 423B.10, subsection  
12 2, into a special city account in the local sales and services  
13 tax fund.

14 c. The director shall credit the local sales and services  
15 tax receipts and interest and penalties from a city-imposed tax  
16 under section 423B.1, subsection 2, to the city's account in  
17 the local sales and services tax fund.

18 Sec. 250. Section 423B.7, subsection 7, Code 2018, is  
19 amended to read as follows:

20 7. a. Local Subject to the requirement of paragraph "b",  
21 local sales and services tax moneys received by a city or  
22 county may be expended for any lawful purpose of the city or  
23 county.

24 b. Each city located in whole or in part in a qualified  
25 county and each qualified county for the unincorporated area  
26 for which the imposition of the local sales and services tax  
27 in the city or portion thereof or the unincorporated area,  
28 as applicable, was approved at election on or after January  
29 1, 2019, shall use not less than fifty percent of the moneys  
30 received from the qualified county's account in the local sales  
31 and services tax fund for property tax relief.

32 Sec. 251. Section 423B.8, subsection 1, paragraph a, Code  
33 2018, is amended to read as follows:

34 a. The goods, wares, or merchandise are incorporated into  
35 an improvement to real estate in fulfillment of a written

1 contract fully executed prior to the date of the imposition ~~or~~  
2 ~~increase in rate~~ of a local sales and services tax under this  
3 chapter. The refund shall not apply to equipment transferred  
4 in fulfillment of a mixed construction contract.

5 Sec. 252. IMPLEMENTATION. This division of this Act shall  
6 not affect the imposition of local option taxes in effect on  
7 the effective date of this division of this Act and such taxes  
8 shall continue to be imposed until their repeal pursuant to  
9 chapter 423B. The law regarding repeal in effect at the time  
10 of the repeal governs the repeal of the local option taxes.

11 Sec. 253. EFFECTIVE DATE. This division of this Act takes  
12 effect January 1, 2019.

13 DIVISION XIII

14 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX  
15 CHANGES

16 Sec. 254. Section 423A.2, subsection 1, Code 2018, is  
17 amended to read as follows:

18 1. For the purposes of [this chapter](#), unless the context  
19 otherwise requires:

20 a. "Affiliate" means the same as defined in section 423.1.

21 ~~a.~~ b. "Department" means the department of revenue.

22 ~~b.~~ ~~"Lessor" means any person engaged in the business of~~  
23 ~~renting lodging to users.~~

24 c. "Facilitate" or "facilitation" includes brokering,  
25 coordinating, or in any way arranging for the rental of lodging  
26 by users.

27 d. "Facilitation fee" means any consideration, by whatever  
28 name called, that a lodging facilitator or lodging platform  
29 charges to a user for facilitating the user's rental of  
30 lodging. "Facilitation fee" does not include any commission  
31 a lodging provider pays to a lodging facilitator or a lodging  
32 platform for facilitating the rental of lodging.

33 ~~e.~~ e. "Lodging" means rooms, apartments, or sleeping  
34 quarters in a hotel, motel, inn, public lodging house, rooming  
35 house, cabin, apartment, residential property, or manufactured

1 or mobile home which is tangible personal property, or in a  
2 tourist court, or in any place where sleeping accommodations  
3 are furnished to transient guests for rent, whether with or  
4 without meals. Lodging does not include conference, meeting,  
5 or banquet rooms that are not used for or offered as part of  
6 sleeping accommodations.

7 f. "Lodging facilitator" means a person or any affiliate of  
8 a person, other than a lodging provider or a lodging platform,  
9 that facilitates the renting of lodging and collects or  
10 processes the sales price charged to the user.

11 g. "Lodging platform" means a person or any affiliate of  
12 a person, other than a lodging provider, that facilitates the  
13 renting of lodging by doing all of the following:

14 (1) The person or an affiliate of the person owns, operates,  
15 or controls a lodging marketplace that allows a lodging  
16 provider who is not an affiliate of the person to offer or  
17 list lodging for rent on the marketplace. For purposes of  
18 this subparagraph, it is immaterial whether or not the lodging  
19 provider has a tax permit under this chapter or in what manner  
20 the lodging is classified for property tax or zoning purposes.

21 (2) The person or an affiliate of the person collects or  
22 processes the sales price charged to the user.

23 h. "Lodging provider" means any of the following:

24 (1) A person or any affiliate of a person that owns,  
25 operates, or manages lodging and makes the lodging available  
26 for rent through the person or any affiliate, or through a  
27 lodging platform or a lodging facilitator.

28 (2) A person or any affiliate of a person who possesses or  
29 acquires a right to or interest in any lodging with an intent  
30 to rent the lodging to another person through the person or  
31 any affiliate, or through a lodging platform or a lodging  
32 facilitator.

33 d. i. "Person" means the same as the term is defined in  
34 section 423.1.

35 e. j. "Renting", "rental", or "rent" means a transfer

1 of use, possession, or control of lodging for a fixed or  
2 indeterminate term for consideration and includes any kind of  
3 direct or indirect charge for such lodging or its use.

4 ~~f.~~ k. "Sales price" means the all consideration charged  
5 for the renting and facilitation of renting of lodging and  
6 means the same as the term is defined in [section 423.1](#) before  
7 taxes, including but not limited to facilitation fees, cleaning  
8 fees, linen fees, towel fees, nonrefundable deposits, and any  
9 other direct or indirect charge made or consideration provided  
10 in connection with the renting and facilitation of renting of  
11 lodging.

12 ~~g.~~ l. "User" means a person to whom lodging is rented.

13 Sec. 255. Section 423A.3, Code 2018, is amended to read as  
14 follows:

15 **423A.3 State-imposed hotel and motel tax.**

16 A tax of five percent is imposed upon the sales price for  
17 the renting of any lodging if the renting occurs lodging is  
18 located in this state. The tax shall be collected by any  
19 lessor of lodging from the user of that lodging and remitted  
20 as provided in section 423A.5A. ~~The lessor shall add the tax~~  
21 ~~to the sales price of the lodging, and the state-imposed tax,~~  
22 ~~when collected, shall be stated as a distinct item, separate~~  
23 ~~and apart from the sales price of the lodging and the local tax~~  
24 ~~imposed, if any, under [section 423A.4](#).~~

25 Sec. 256. Section 423A.4, Code 2018, is amended by adding  
26 the following new subsection:

27 NEW SUBSECTION. 5. The locally imposed hotel and motel tax  
28 shall be collected and remitted as provided in section 423A.5A.

29 Sec. 257. Section 423A.5, Code 2018, is amended to read as  
30 follows:

31 **423A.5 Exemptions.**

32 ~~1.~~ There are exempted from the provisions of [this chapter](#)  
33 and from the computation of any amount of tax imposed by  
34 ~~[section 423A.3](#)~~ this chapter all of the following:

35 ~~a.~~ 1. The sales price from the renting of lodging which is

1 rented by the same person for a period of more than thirty-one  
2 consecutive days.

3 ~~b.~~ 2. The sales price from the renting of sleeping rooms  
4 in dormitories ~~and in memorial unions~~ at all universities and  
5 colleges located in the state of Iowa.

6 ~~2. There is exempted from the provisions of this chapter and~~  
7 ~~from the computation of any amount of tax imposed by section~~  
8 ~~423A.4 all of the following:~~

9 ~~a. The sales price from the renting of lodging or rooms~~  
10 ~~exempt under subsection 1.~~

11 ~~b.~~ 3. The sales price of lodging furnished to the guests of  
12 a religious institution if the property is exempt under section  
13 427.1, subsection 8, and the purpose of renting is to provide a  
14 place for a religious retreat or function and not a place for  
15 transient guests generally.

16 Sec. 258. NEW SECTION. **423A.5A Collection and remittance**  
17 **of hotel and motel tax.**

18 1. For purposes of this section:

19 a. *"Discount room charge"* means the amount a lodging  
20 provider charges a lodging facilitator for lodging, excluding  
21 any applicable tax.

22 b. *"Travel package"* means lodging bundled with one or more  
23 separate components such as air transportation, car rental, or  
24 similar items and charged for a single retail price.

25 2. This section shall govern the collection and remittance  
26 of all taxes imposed under this chapter.

27 3. Unless otherwise provided in this section, the  
28 state-imposed tax under section 423A.3 and any locally  
29 imposed tax under section 423A.4 shall be collected by the  
30 lodging provider from the user of that lodging and shall be  
31 remitted to the department. The lodging provider shall add  
32 the state-imposed tax to the sales price of the lodging and  
33 the tax, when collected, shall be stated as a distinct item,  
34 separate and apart from the sales price of the lodging and from  
35 the locally imposed tax, if any. The lodging provider shall

1 add the locally imposed tax, if any, to the sales price of  
2 the lodging and the tax, when collected, shall be stated as a  
3 distinct item, separate and apart from the sales price of the  
4 lodging and from the state-imposed tax.

5 4. If a transaction for the rental of lodging involves a  
6 lodging facilitator, all of the following shall occur in the  
7 order prescribed:

8 a. The lodging facilitator shall collect the taxes imposed  
9 under this chapter on any sales price that the user pays to the  
10 lodging facilitator in the same manner as a lodging provider  
11 under subsection 3.

12 b. (1) Unless otherwise required by rule or order of the  
13 department, the lodging facilitator shall remit to the lodging  
14 provider that portion of the taxes collected on the sales price  
15 that represents the discount room charge.

16 (2) No assessment shall be made against a lodging  
17 facilitator for tax due on a discount room charge if the  
18 lodging facilitator collected the tax and remitted it to a  
19 lodging provider that has a valid tax permit required under  
20 this chapter. This subparagraph shall not apply if the lodging  
21 facilitator and lodging provider are affiliates, or if the  
22 department requires the lodging facilitator to remit taxes  
23 collected on that portion of the sales price that represents  
24 the discount room charge directly to the department.

25 c. The lodging facilitator shall remit any remaining tax it  
26 collected to the department.

27 d. (1) The lodging provider shall collect and remit to the  
28 department any taxes the lodging facilitator remitted to the  
29 lodging provider, and shall collect and remit to the department  
30 any taxes due on any amount of sales price the user paid to the  
31 lodging provider.

32 (2) No assessment shall be made against a lodging provider  
33 for any tax due on a discount room charge that was not remitted  
34 to the lodging provider by a lodging facilitator. This  
35 subparagraph shall not apply if the lodging provider and

1 lodging facilitator are affiliates.

2 e. Notwithstanding any other provision of this section  
3 to the contrary, if a lodging facilitator and its affiliates  
4 facilitate total rentals under this chapter and chapter  
5 423C that are equal to or less than an aggregate amount of  
6 sales price and rental price of ten thousand dollars for an  
7 immediately preceding calendar year or a current calendar year,  
8 or in ten or fewer separate transactions for an immediately  
9 preceding calendar year or a current calendar year, the lodging  
10 facilitator shall not be required to collect tax on the amount  
11 of sales price that represents the lodging facilitator's  
12 facilitation fee.

13 5. If a transaction for the rental of lodging involves a  
14 lodging platform, the lodging platform shall collect and remit  
15 the taxes imposed under this chapter in the same manner as a  
16 lodging provider under subsection 3.

17 6. If a transaction for the rental of lodging is part of a  
18 travel package, the portion of the total price that represents  
19 the sales price for the rental of lodging may be determined by  
20 the person required under this section to collect the taxes  
21 from the person's books and records that are kept in the  
22 regular course of business including but not limited to books  
23 and records kept for non-tax purposes.

24 Sec. 259. Section 423A.6, subsection 4, Code 2018, is  
25 amended to read as follows:

26 4. [Section 422.25, subsection 4, sections 422.30, 422.67,](#)  
27 [and 422.68, section 422.69, subsection 1, sections 422.70,](#)  
28 [422.71, 422.72, 422.74, and 422.75, section 423.14, subsection](#)  
29 [1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,](#)  
30 [423.35, 423.37 through 423.42, and 423.47,](#) consistent with the  
31 provisions of [this chapter](#), apply with respect to the taxes  
32 authorized under [this chapter](#), in the same manner and with the  
33 same effect as if the state and local hotel and motel taxes  
34 were retail sales taxes within the meaning of those statutes.  
35 Notwithstanding [this subsection](#), the director shall provide

1 for quarterly filing of returns and for other than quarterly  
2 filing of returns both as prescribed in [section 423.31](#). The  
3 director may require all persons who are engaged in the  
4 business of deriving any sales price subject to tax under this  
5 chapter to register with the department. All taxes collected  
6 under [this chapter](#) by a retailer, lodging provider, lodging  
7 facilitator, lodging platform, or any individual other person  
8 are deemed to be held in trust for the state of Iowa and the  
9 local jurisdictions imposing the taxes.

10 Sec. 260. Section 423C.2, Code 2018, is amended to read as  
11 follows:

12 **423C.2 Definitions.**

13 For purposes of [this chapter](#), unless the context otherwise  
14 requires:

15 1. "Affiliate" means the same as defined in section 423.1.

16 ~~1.~~ 2. "Automobile" means a motor vehicle subject to  
17 registration in any state designed primarily for carrying  
18 nine passengers or less, excluding motorcycles and motorized  
19 bicycles.

20 3. "Automobile provider" means any of the following:

21 a. A person or any affiliate of a person that owns or  
22 controls an automobile and makes the automobile available for  
23 rent through the person or any affiliate, or through a rental  
24 platform or rental facilitator.

25 b. A person or any affiliate of a person who possesses or  
26 acquires a right or interest in any automobile with an intent  
27 to rent the automobile to another person through the person  
28 or any affiliate, or through a rental platform or a rental  
29 facilitator.

30 ~~2.~~ 4. "Department" means the department of revenue.

31 ~~3.~~ "Lessor" means a person engaged in the business of  
32 renting automobiles to users. "Lessor" includes a motor vehicle  
33 dealer licensed pursuant to [chapter 322](#) who rents automobiles  
34 to users. For this purpose, the objective of making a profit  
35 is not necessary to make the renting activity a business.

1     5. "Facilitate" or "facilitation" includes brokering,  
2 coordinating, or in any way arranging for the rental of  
3 automobiles by users.

4     6. "Facilitation fee" means any consideration, by whatever  
5 name called, that a rental facilitator or a rental platform  
6 charges to a user for facilitating the user's rental of an  
7 automobile. "Facilitation fee" does not include any commission  
8 an automobile provider pays to a rental facilitator or a rental  
9 platform for facilitating the rental of an automobile.

10     ~~4.~~ 7. "Person" means person as defined in [section 423.1](#).

11     ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer  
12 of the use, control, or possession or right to use, control,  
13 or possession of an automobile to a user for a valuable  
14 consideration for a period of sixty days or less.

15     9. "Rental facilitator" means a person or any affiliate of a  
16 person, other than an automobile provider or a rental platform,  
17 that facilitates the renting of an automobile and collects or  
18 processes the rental price charged to the user.

19     10. "Rental platform" means a person or any affiliate of a  
20 person, other than an automobile provider, that facilitates the  
21 renting of an automobile by doing all of the following:

22     a. The person or an affiliate of the person owns, operates,  
23 or controls an automobile rental marketplace that allows an  
24 automobile provider who is not an affiliate of the person to  
25 offer or list an automobile for rent on the marketplace. For  
26 purposes of this paragraph, it is immaterial whether or not  
27 the automobile provider has a tax permit under this chapter or  
28 chapter 423 or whether the automobile is owned by a natural  
29 person or by a business entity.

30     b. The person or an affiliate of the person collects or  
31 processes the rental price charged to the user.

32     ~~6.~~ 11. "Rental price" means the all consideration charged  
33 for the renting and facilitation of renting of an automobile  
34 valued in money, and means the same as "sales price" as  
35 defined in [section 423.1](#) before taxes, including but not

1 limited to facilitation fees, reservation fees, services fees,  
2 nonrefundable deposits, and any other direct or indirect charge  
3 made or consideration provided in connection with the renting  
4 or facilitation of renting of an automobile.

5 ~~7.~~ 12. "User" means a person to whom the possession or  
6 the right to possession of an automobile is transferred for  
7 a period of sixty days or less for a valuable consideration  
8 which is paid by the user or by another person an automobile is  
9 rented.

10 Sec. 261. Section 423C.3, Code 2018, is amended to read as  
11 follows:

12 **423C.3 Tax on rental of automobiles — collection and**  
13 **remittance of tax.**

14 1. For purposes of this section:

15 a. "Discount rental charge" means the amount an automobile  
16 provider charges to a rental facilitator for the rental of an  
17 automobile, excluding any applicable tax.

18 b. "Travel package" means an automobile rental bundled  
19 with one or more separate components such as lodging, air  
20 transportation, or similar items and charged for a single  
21 retail price.

22 ~~1.~~ 2. A tax of five percent is imposed upon the rental  
23 price of an automobile if the rental transaction is subject to  
24 the sales and services tax under chapter 423, subchapter II, or  
25 the use tax under chapter 423, subchapter III. The tax shall  
26 not be imposed on any rental transaction not taxable under the  
27 state sales and services tax, as provided in section 423.3, or  
28 the state use tax, as provided in section 423.6, on automobile  
29 rental receipts.

30 ~~2.~~ 3. This subsection shall govern the  
31 collection and remittance of the tax imposed under subsection  
32 2.

33 a. Unless otherwise provided in this subsection, the  
34 automobile provider shall collect the tax by adding the tax to  
35 the rental price of the automobile.

1     ~~3.—The~~ and the tax, when collected, shall be stated as a  
2 distinct item separate and apart from the rental price of the  
3 automobile and the sales and services tax imposed under chapter  
4 423, subchapter II, or the use tax imposed under chapter 423,  
5 subchapter III.

6     b. If a transaction for the rental of an automobile involves  
7 a rental facilitator, all of the following shall occur in the  
8 order prescribed:

9     (1) The rental facilitator shall collect the tax on any  
10 rental price that the user pays to the rental facilitator in  
11 the same manner as an automobile provider under paragraph "a".

12     (2) (a) Unless otherwise required by rule or order of  
13 the department, the rental facilitator shall remit to the  
14 automobile provider that portion of the tax collected on the  
15 rental price that represents the discount rental charge.

16     (b) No assessment shall be made against a rental facilitator  
17 for tax due on a discount rental charge if the rental  
18 facilitator collected the tax and remitted it to an automobile  
19 provider that has a valid tax permit required under this  
20 chapter or under chapter 423. This subparagraph division shall  
21 not apply if the rental facilitator and automobile provider  
22 are affiliates, or if the department requires the rental  
23 facilitator to remit taxes collected on that portion of the  
24 sales price that represents the discount rental charge directly  
25 to the department.

26     (3) The rental facilitator shall remit any remaining tax it  
27 collected to the department.

28     (4) (a) The automobile provider shall collect and remit  
29 to the department any taxes the rental facilitator remitted to  
30 the automobile provider, and shall collect and remit to the  
31 department any taxes due on any amount of rental price the user  
32 paid to the automobile provider.

33     (b) No assessment shall be made against an automobile  
34 provider for any tax due on a discount rental charge that  
35 was not remitted to the automobile provider by a rental

1 facilitator. This subparagraph division shall not apply if the  
2 automobile provider and the rental facilitator are affiliates.

3 (5) Notwithstanding any other provision of this paragraph  
4 to the contrary, if a rental facilitator and its affiliates  
5 facilitate total rentals under this chapter and chapter  
6 423A that are equal to or less than an aggregate amount of  
7 rental price and sales price of ten thousand dollars for an  
8 immediately preceding calendar year or a current calendar year,  
9 or in ten or fewer separate transactions for an immediately  
10 preceding calendar year or a current calendar year, the  
11 rental facilitator shall not be required to collect tax on the  
12 amount of sales price that represents the rental facilitator's  
13 facilitation fee.

14 c. (1) If a transaction for the rental of an automobile  
15 involves a rental platform, other than a rental platform  
16 described in subparagraph (2), the rental platform shall  
17 collect and remit the tax imposed under this chapter in the  
18 same manner as an automobile provider under paragraph "a".

19 (2) A rental platform is not required to collect and remit  
20 the tax imposed under this chapter in the same manner as an  
21 automobile provider under paragraph "a" if the rental platform  
22 meets all of the following requirements:

23 (a) The only sales the rental platform and its affiliates  
24 facilitate that are subject to tax under chapter 423 are sales  
25 of a transportation service under section 423.2, subsection 6,  
26 paragraph "bf", or section 423.5, subsection 1, paragraph "e",  
27 consisting of the rental of vehicles subject to registration  
28 which are registered for a gross weight of thirteen tons or  
29 less for a period of sixty days or less.

30 (b) The rental platform operates a peer-to-peer automobile  
31 sharing marketplace.

32 (3) For any rental transaction for which the rental platform  
33 is required to or elects to collect and remit the tax under  
34 this chapter, the rental platform shall also be liable for the  
35 collection and remittance of any sales or use tax due on that

1 transaction under section 423.2, subsection 6, paragraph "bf",  
2 or section 423.5, subsection 1, paragraph "e", notwithstanding  
3 any other provision to the contrary in chapter 423.

4 (4) For any rental transaction for which the rental platform  
5 is not required to collect and remit the tax under this chapter  
6 as provided under subparagraph (2), the automobile provider  
7 shall be solely liable for any amount of uncollected or  
8 unremitted tax under this chapter.

9 Sec. 262. LEGISLATIVE INTENT. It is the intent of the  
10 general assembly that the provision of this division of this  
11 Act amending the definition of "lodging" in section 423A.2,  
12 subsection 1, is a conforming amendment consistent with  
13 current state law, and that the amendment does not change the  
14 application of current law but instead reflects current law  
15 both before and after the enactment of this division of this  
16 Act.

17 Sec. 263. EFFECTIVE DATE. Except as otherwise provided  
18 in this division of this Act, this division of this Act takes  
19 effect January 1, 2019.

20 Sec. 264. EFFECTIVE DATE. The following, being deemed of  
21 immediate importance, take effect upon enactment:

22 1. The provision amending the definition of "lodging" in the  
23 section of this division of this Act amending section 423A.2,  
24 subsection 1.

25 2. The section of this division of this Act entitled  
26 "legislative intent" which describes the intent of the general  
27 assembly with respect to the amendment in this division of  
28 this Act to the definition of "lodging" in section 423A.2,  
29 subsection 1.>

30 2. Title page, by striking lines 1 through 8 and inserting  
31 <An Act relating to state and local revenue and finance by  
32 modifying the individual and corporate income taxes, the  
33 franchise tax, tax credits, the sales and use taxes and  
34 local option sales tax, the hotel and motel excise tax, the  
35 automobile rental excise tax, the Iowa educational savings plan

1 trust, providing for other properly related matters, making  
2 penalties applicable, and including immediate and contingent  
3 effective date and retroactive and other applicability  
4 provisions.>>

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VANDER LINDEN of Mahaska